Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)

ANNUAL REPORT 2018

投資項目 Investment Project

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物業投資 Property Investment

本集團與康芝集團成員海南康大投資有限公司於2018年5月5日就海口市亞洲豪苑城市廣場合作發展簽訂框架協議，打造成為國際兒童健康城及配套商業項目。

The Group and Hainan Kang Da Investment Co., Ltd. (Member of Honz Group) have entered into a framework agreement on 5 May 2018 to develop the Asian Villa City Square, Haikou, to an international centre for child care and health together with associated commercial projects.

開封迪臣世紀豪苑龍亭湖1號璽園 (G區)
璽園, No.1 Longting Lake, Kaifeng Deson Century Place (Section G)

總建築面積：28,415平方米
連排別墅及高級洋房
預計完工期：2019年中

Total Gross Floor Area：28,415 m²
Villas Complex & Deluxe Houses
Expected Completion Time：Mid of year 2019

買賣醫療設備及家居保安及自能化產品
Trading of Medical Equipment and Home Security and Automation Products

迪臣國際醫學儀器有限公司 Medical Technologies Limited

提供及安裝全球首套無線Tyromotion連接醫院資訊系統 – 鏡湖醫院
Supply and Installation of the world's first wireless HIS Tyromotion System – Kiang Wu Hospital

迪衛智能系統有限公司 Deson Innovative Limited

堅尼地台8號住宅大樓
為一幢豪華住宅大樓內的弱電系統，提供設計、供應及安裝服務
Residential Building at 8 Kennedy Terrace
Provision of design, supply and installation services for all ELV (Extra-Low Voltage) systems in a luxury residential building

CONTENTS

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Dr. Ho Chung Tai, Raymond
Ir Siu Man Po
Mr. Siu Kam Chau

COMPANY SECRETARY

Mr. Lam Wing Wai, Angus, *HKICPA*

PRINCIPAL BANKERS

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

LEGAL ADVISERS

Appleby
Howse Williams Bowers

AUDITOR

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

STOCK CODE

262

WEBSITE OF THE COMPANY

www.deson.com

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Deson Development International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**We**"), I have the pleasure to present to you the annual report for the year ended 31 March 2018 ("**Reporting Period**").

BUSINESS REVIEW

During the Reporting Period, the Group recorded a total turnover from continuing operations (property development and investment segment and trading of medical equipment and home security and automation products segment) of approximately HK$191 million (2017: approximately HK$200 million). The net profit attributable to owners of the Company was approximately HK$48 million (2017: approximately HK$145 million). We disposed of 20% equity interest in Deson Construction International Holdings Limited ("**DCIHL**") in last reporting period which is engaged in construction business. The gain on the disposal of this transaction was approximately HK$106 million while no such gain was noted in this Reporting Period. The Board recommends the payment of a final dividend of HK0.5 cent (2017: HK0.5 cent) per ordinary share in respect of the year. Final dividend is payable on 14 September 2018 to shareholders of record on 29 August 2018.

In September 2016, the Group has entered into a sale and purchase agreement to dispose of 70% effective equity interest of Starway Parkview South Station Hotel ("**Shanghai Parkview**") in Shanghai to an independent third party (the "**First Disposal**"). It is intended that Shanghai Parkview will be converted into and operated as service apartments and the construction is expected to be completed by end of 2019. The renovation works are in progress at this reporting date. The First Disposal was completed on 15 January 2018. The Group recorded a gain on the First Disposal of approximately HK$6 million. The Board considers that the First 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 Shanghai Parkview, will be beneficial to the Group and the Company's shareholders as a whole. Shanghai Parkview 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 Shanghai Parkview. The First Disposal enables the Group to recycle capital into future investment opportunities. Please refer to the announcements of Company dated 18 May 2016 and 30 September 2016 and the circular of the Company dated 24 October 2016 for the details of the First Disposal.

In May 2018, the Group has entered into a framework agreement with an independent third party to dispose of 72% interest in portion of Asian Villas City Square ("**Asian Villas**") (the "**Second Disposal**") through the disposal of 72% of effective equity interest of a wholly-owned subsidiary, 江裕置業(海南)有限公司 (the "**Target Company**"), and the disposal of portion of Asian Villas (the "**Target Properties**"). The purchaser is performing due diligence work on the Target Company and the Target Properties. Formal binding agreements will be entered into upon the completion of the relevant due diligence works. The Board considers that the Second Disposal will bring in a strategic partner in China which will help to broaden the business horizon and improve the long term growth potential of Asian Villas and the Group's other developments in the Hainan Province, which will be beneficial to the Group and the Company's shareholders as a whole. The transaction is expected to be completed in August 2018 after all conditions precedent are fulfilled and the approval by the shareholders of the Company is obtained. Please refer to the announcement of Company dated 6 May 2018 for the details of the Second Disposal.

OUTLOOK

In 2018, it is expected that the China Government will maintain the continuity and stability of its regulatory policies for the real estate market. Despite the introduction of property curbs in particular cities, the stable demand for residence along with the full confidence of purchasers have given an optimistic outlook to the Group's overall business in 2018. Looking forward, the Group will continue to strive for optimising its overall operation scale and improving cost effectiveness through enhancing its cost control measures, expediting its pace of talents solicitation and building up a quality brand.

The Group will continue to adhere to its principles of prudent financial management and comply with laws and regulations to build up high quality and efficient construction and sales teams, and further enhance its competitiveness in supply, sales and inventory management and the cost control while keeping abreast of the changes in the macro-economy. Meanwhile, the Group will also, on the basis of ensuring its financial health, seek for other investment opportunities in a proactive and prudent manner to raise its profitability by acquiring quality and promising investment projects. We believe that the huge population mobility, urban development and the growth in wealth will continue to drive the rigid demand for real estate properties. As a result, there is still enormous room for the development of China's real estate industry.

On the other hand, through the disposal of the existing properties, it enables us to obtain more fund for the future investment in Hong Kong. We are trying to find potential properties in Hong Kong for future development. Up to the date of this report, the discussions regarding the business cooperation remain preliminary and no formal proposal has been put forward by the third party to the Company and no legally binding agreement or contract relating to such business cooperation has been entered into by the Company or any of its subsidiaries. The outcome of any discussion on such business cooperation is not known and in the event that any agreement or contract regarding the possible business cooperation with the aforementioned third party is reached, the Company will comply with the relevant requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

APPRECIATION

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

Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong
21 June 2018

BUSINESS REVIEW

In the prior year, the Group's major business segments for the year ended 31 March 2017 comprise (i) property development and investment; (ii) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market; (iii) construction as a main contractor and decoration, as well as the provision of electrical and mechanical engineering services; and (iv) investment in securities.

In the prior year, on 11 January 2017, the Company, through its wholly-owned subsidiary, signed a placing agreement with a placing agent, to place 200,000,000 shares of Deson Construction International Holdings Limited ("**DCIHL**") at HK$0.30 each ("**Placing**") and all the 200,000,000 shares of DCIHL were successfully placed. Upon completion of the Placing on 31 March 2017, DCIHL and its subsidiaries (the "**DCIHL Group**") ceased to be subsidiaries of the Group and the construction and investment in securities businesses have been discontinued. The Group's major business segments during the year ended 31 March 2018 became (i) property development and investment; and (ii) trading of medical equipment and home security and automation products, and the provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market.

CONTINUING OPERATIONS

The Group's turnover for the year ended 31 March 2018 from continuing operations recorded at approximately HK$190,783,000 (2017: HK$199,683,000) which represented a slight decrease of 4% compared with last year.

Property development and investment business

The Group's turnover for the year ended 31 March 2018 from this segment recorded at approximately HK$164,422,000 (2017: HK$168,400,000), which represented a slight decrease of 2% as compared with last year. The turnover from this segment is arising from sales of properties at the People's Republic of China (the "**PRC**") and rental income from investment properties.

(i) Sales of properties

Turnover decreased from approximately HK$142,679,000 for the year ended 31 March 2017 to approximately HK$137,972,000 for the year ended 31 March 2018 which represents a slight decrease of 3%. Sales noted in last year was from sales of carparks at Shanghai Parkview, sales of apartments at Asian Villas and the sales of six-floor offices (6,235 square ("**sq**") metres) at World Expo Plaza ("**World Expo**"), Kaifeng, the PRC. No sales were noted for Shanghai Parkview in the current year since September 2016. For Asian Villas, there are only several apartments left unsold, no sales were noted in the current year.

In current year, majority of the revenue is arising from the sales of certain units at the World Expo, the PRC.

World Expo consists of:

i) three residential blocks (Gross floor area of 59,300 sq. metres);

ii) two commercial office buildings (Gross floor area of 13,900 sq. metres);

iii) two streets of shops (Gross floor area of 2,000 sq. metres);

iv) a hotel under construction (Gross floor area of 14,800 sq. metres); and

v) an animation theatre (Gross floor area of 5,000 sq. metres).

The sales of the two commercial office buildings commenced in the last reporting period. In the current year, the Group has started to recognise the sales of residential block 1 and the two streets of shops.

ii) Rental income from investment properties

Turnover increased slightly from approximately HK$25,721,000 for the year ended 31 March 2017 to approximately HK$26,450,000 for the year ended 31 March 2018 which represents a slight increase of 3%. As all of the rental income was earned from the properties located at the PRC, the strengthened average exchange rate of RenMinBi ("**RMB**") from RMB1=HKD1.15 in last reporting period to RMB1=HKD1.18 in this reporting period has caused the increase of rental income included in the Group's turnover.

Segment operating profit generated from this segment for the reporting period amounted to approximately HK$71,240,000 (2017: HK$54,969,000).

In the prior year, on 30 September 2016, the Group entered into a sale and purchase agreement to dispose of 70% effective equity interest in Yew Siang Limited ("**Disposal**"), an indirect wholly-owned subsidiary, to an independent third party. Yew Siang Limited and its subsidiary own Shanghai Parkview. The Disposal was completed on 15 January 2018. The gain arising from the Disposal is approximately HK$6,214,000. It is intended that Shanghai Parkview will be converted into and operated as serviced apartments. The renovation works are in progress and it is expected to be completed by end of 2019. The arrangement set up with the purchaser of the Disposal enables the Group to continue to have a share of profit from the long term growth potential of this Shanghai property.

Trading of medical equipment and home security and automation products

The Group's turnover for the year ended 31 March 2018 from this segment recorded at approximately HK$26,361,000 (2017: HK$31,283,000), which represents a decrease of 16% as compared with last year. The drop is due to (i) the decrease in sales of home security and automation products as a result of the slow down of China's property market causing the decrease in demand of home security products; (ii) the home security products installation project at Kennedy Road, Hong Kong with contract amount of approximately HK$6 million, which was completed in November 2016 and most of the revenue was recognised in the year ended 31 March 2017; and (iii) the drop in sales for trading of medical equipment to hospital for the sales to Kiang Wu Hospital, Macau with contract sum of HK$3 million in last year which did not recur in current year.

Segment operating loss incurred from this segment for the reporting period amounted to approximately HK$9,171,000 whereas operating profit amounted to approximately HK$1,465,000 was noted in last reporting period.

DISCONTINUED OPERATIONS

Upon the completion of the Placing on 31 March 2017, the DCIHL Group has ceased to be consolidated into the accounts of the Group. The Group classified its interest in the DCIHL Group as investments in associates, which was accounted for by using the equity method.

In last reporting year, the profit for the year from the DCIHL Group is approximately HK$174,863,000 (before deducting minority interest) in which HK$106,373,000 was arising from the gain on disposal of DCIHL's shares. Upon the Placing, by using equity method, the Group shared approximately HK$8,961,000 profit from the DCIHL Group for the year ended 31 March 2018 and such amount was reflected in the line "**Share of profits and losses of associates**".

The net profit attributable to owners of the Company for the year ended 31 March 2018 amounted to approximately HK$47,776,000 as compared with the net profit attributable to owners of the Company for the year ended 31 March 2017 amounted to approximately HK$144,934,000. The significant drop is due to:

(i) there was a gain on disposal of approximately HK$106 million noted in the last reporting period upon the Placing, while no such gain was noted in the current reporting period. Since 31 March 2017, the interest in the DCIHL Group is classified as investments in associates and accounted for by using equity method; and

(ii) a decrease in the gross profit from property development and investment segment. In last reporting period, the sales was mainly arising from the Group's profit from the one-off sales of a six-storey office premises (properties held for sales) in Kaifeng City, Henan Province of the PRC. During this reporting period, the majority of sales was arising from the residential apartments in Kaifeng. The gross profit margin of sales of office premises is much higher than the sale of residential apartments. As a result, the overall profit is lower than last year.

The above drop was partly offset by:

(i) the increase in fair value gain on investment properties (before deferred tax) in the amount of approximately HK$53,935,000 (2017: HK$34,713,000). A significant increment was noted for the properties located in Haikou, Hainan Province, the PRC; and

(ii) the share of profits from associates amounting to approximately HK$8,671,000 (2017: HK$1,616,000). The significant increase was contributed by the share of profit from the DCIHL Group since the Placing was completed on 31 March 2017.

Earnings per share for the year ended 31 March 2018 is approximately HK4.89 cents.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2018, the Group's turnover from continuing operations amounted to approximately HK$191 million, decreased by 4% as compared to last year. The decrease was because of the drop in sales of properties in the PRC and the decrease of project income from trading of home security products.

Turnover generated from property development and investment business and trading of medical equipment and home securities and automation products as well as trading of various granite and marble products, stone slabs and products for construction market amounted to approximately HK$165 million and HK$26 million, respectively, which represent a decrease of 2% and decrease of 16%, respectively as compared to last reporting period.

Gross profit margin

During the year ended 31 March 2018, the Group's gross profit margin from the continuing operations was approximately 25%, decreased by 6 percentage points as compared to last year's 31%. The decrease is mainly driven by sales of commercial area proportion in turnover from property development and investment segment is higher in last year where the gross profit margin of sales of commercial area is much higher than the sales of residential area. As a result, the overall gross profit margin is lower than last year.

Share of profits and losses of associates

For the year ended 31 March 2018, the Group's share of profits of associates amounted to approximately HK$9 million, increased by 437% as compared to last reporting period. Upon the completion of the Placing of DCIHL shares, the Group only shares 31.18% of the profit of the DCIHL Group by using the equity method and is reflected in this line. In last reporting period, the DCIHL Group was still subsidiaries of the Group.

Liquidity and financial resources

As at 31 March 2018, the Group had total assets of approximately HK$2,804,205,000, which was financed by total liabilities, shareholders' equity and non-controlling interests of HK$1,154,401,000, HK$1,650,413,000 and debit balance of HK$609,000, respectively. The Group's current ratio at 31 March 2018 was 2.18 compared to 1.73 at 31 March 2017.

As at 31 March 2018, the gearing ratio for the Group is 24% (31 March 2017: 23%). It was calculated based on the non-current liabilities of HK$510,032,000 (31 March 2017: HK$424,402,000) and long term capital (equity and non-current liabilities) of HK$2,159,836,000 (31 March 2017: HK$1,881,115,000).

Capital expenditure

Total capital expenditure for the year ended 31 March 2018 was approximately HK$799,000, and was mainly used in the purchase of motor vehicles and office equipment.

Contingent liabilities

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

Commitments

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

Charges on group assets

Details of the charges of assets of the Group are set out in note 27 to the financial statements.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Exchange risk exposure

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

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

PROSPECTS

Property development and investment

On 9 June 2005, the Group was granted the land use rights of a development site in Long Ting district of the city of Kaifeng, Henan Province, the PRC. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 221,000 sq. metres. The name of this project is "**Century Place, Kaifeng**". Up to now, the construction of a gross floor area of 190,000 sq. metres has been completed and the total sales contract sum achieved amounted to approximately RMB755 million. The remaining part of the land (Section G) is under construction, and it is expected the construction will be completed by early 2019 and the pre-sale will start in the fourth quarter of 2018.

	CURRENT USE	**AREA** (approximately sq. metres)
Section A	Investment properties – Shops (leased out)	54,000
Section C	Properties held for sales – Villas	6,000
Section F	Properties held for sales – Shops	11,000
Section G	Properties held for sales under development – Villas	31,000

The Group plans to sell Section C when Section G is launched to the market. It is because these two areas are adjacent to each other and we believe the synergy effect can cause a higher return to the Group.

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 PRC. The name of this project is "**World Expo, Kaifeng**". The Directors intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 95,000 sq. metres. Up to now, gross floor area of 43,000 sq. metres was completed. It includes (i) two commercial buildings with gross floor area of approximately 14,000 sq. metres; (ii) an animation theatre with gross floor area of approximately 5,000 sq. metres; (iii) one residential building with gross floor area of approximately 22,000 sq. metres; and (iv) 25 street shops with gross floor area of approximately 2,000 sq. metres. The total sales contract sum achieved from the sales amounted to approximately RMB280 million. It is expected that the construction of the whole project will be completed by 2019. The parts under construction include two residential buildings (gross floor areas approximately 37,000 sq. metres) and a hotel (gross floor area approximately 15,000 sq. metres). The animation theatre is named "**Qing-Ming Riverside Anime Exhibition**" and was used to show the animation of 清明上河圖 which was shown in 2010 Shanghai Expo. During the reporting period, the Board decided to terminate the animation business and is seeking for potential buyer for the animation theatre together with the remaining properties at the World Expo, Kaifeng.

In September 2014, The Group was granted another land use right in city of Kaifeng, the PRC. The name of the project is **Zhu Ji Lane** ("**珠璣巷**"). The Directors have developed a commercial street project with a total gross floor area of approximately 13,000 sq. metres. It was put in use during 27th World Hakka Conference which was held in October 2014. As of now, the project has been completed. The Group is seeking for potential buyer for the whole properties.

The central government has continued to practice four "**R**"s (i.e. purchase restriction, credit restriction, price restriction and sales restriction) in its austerity measures during the first half year to enable property developers to push forward real estate destocking steadily in a bid to bring healthy development for the real estate market in Mainland China. As the Mainland China government continues to implement categorised and city-specific control policies with respect to property market in the second half of the year, control over the property market will remain tight. Differentiation in the property market will continue. The property market in Tier 1 and Tier 2 cities will cool off and encounter adjustment, and Tier 3 and Tier 4 cities will retain a de-stocking tone with rebound in volume and prices. Market performance of lower-tier cities is expected to be relatively stable, however it is possible for the government to further tighten the control as a result of the performance of property prices. The tightening credit policies due to continued regulation over the property and financial deleveraging will become the major risk of the future property market in the PRC. The land market will moderately cool off due to credit squeeze, tightening liquidity and the increase in capital cost.

The Board remains optimistic about the property market in Mainland China. With its good experience in the property market of the PRC, the Group may acquire additional land to enrich the Group's land reserve, specifically in the Guangdong – Hong Kong – Macao Greater Bay Area which is adjacent to Hong Kong. However, the Group has no specific investment plan in relation to any particular project currently.

Regarding the disposal of Shanghai Parkview, it is intended that the Shanghai Parkview will be converted into and operated as serviced apartments. The Board considers that the disposal will bring in a strategic shareholder with a strong real estate management background which helps to improve the long term growth potential of the Shanghai Parkview, which will ultimately be beneficial to the Group and the Company's shareholders as a whole. The Shanghai Parkview is a mature asset. Whilst it provides a stable rental income, it does not have the growth in terms of earnings expected by the Board. The Group aspires to realise the full value of the Shanghai Parkview. This disposal enables the Group to recycle capital into future investment opportunities. The Directors are of the view that this disposal will benefit the Group by realising its investment and also strengthening its liquidity and overall financial position. 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 Shanghai Parkview.

Proposed disposal of Hainan's properties

Capitalised terms used herein this section "**Proposed disposal of Hainan's properties**" shall have the same meanings as those defined in the announcement of the Company dated 6 May 2018.

On 5 May 2018, the Company, the Vendor (being an indirect wholly-owned subsidiary of the Company), the Purchaser and the Property Holder entered into the Framework Agreement in relation to the Proposed Disposals and the Proposed Joint Venture. The terms and conditions of the Proposed Disposals and the Proposed Joint Venture are subject to further negotiations between the parties and the execution of definitive and binding agreement(s) by the relevant parties.

Pursuant to the Framework Agreement, in relation to the Proposed Disposal 1, the Vendor intends to dispose of and the Purchaser intends to acquire the Sale Shares, representing 72% of the total issued share capital of the Target Company, free from any encumbrances. The Target Company is a company established in the PRC, which owns three buildings consisting of 31 shops in Haikou City, Hainan Province, the PRC. The consideration of the Proposed Disposal 1 is expected to be approximately RMB75.0 million (equivalent to approximately HK$90.0 million) and will be payable to the Vendor in cash by stages according to the formal binding agreement to be entered into upon completion of relevant due diligence by the Purchaser.

In addition, pursuant to the Framework Agreement, the Company will procure one of its wholly-owned subsidiaries established in Hong Kong to set up a WFOE in the PRC with a total issued registered capital of RMB6.0 million (equivalent to approximately HK$7.2 million) to participate in the Proposed Joint Venture to form a JV Company with the Purchaser (or its nominees) for the purpose of developing the business centre in Hainan Province, the PRC. The JV Company will be owned beneficially as to 28% by the Group and 72% by the Purchaser (or its nominees). The proposed total investment will be RMB180.0 million (equivalent to approximately HK$216.1 million). The JV Company will then acquire Asian Villas from the Property Holder for a total consideration of RMB180.0 million (equivalent to approximately HK$216.1 million) pursuant to the Proposed Disposal 2. In this regard, in consideration of the Group agreeing to grant to the Purchaser the Exclusivity Period, a Deposit of RMB20.0 million (equivalent to approximately HK$24.0 million) has been paid by the Purchaser to the Property Holder upon signing of the Framework Agreement.

The parties to the Framework Agreement shall enter into the formal binding agreements upon the completion of the relevant due diligence on the Target Company by the Purchaser.

The Board considers that the Proposed Disposals and the Proposed Joint Venture will bring in a strategic partner in the PRC which will help to broaden the business horizon and improve the long term growth potential of Asian Villas and the Group's other developments in the Hainan Province in the PRC, which will be beneficial to the Group and the Company's shareholders as a whole. The Group and the purchaser intend to develop the Asian Villas to an international centre for child care and health together with associated commercial projects.

As at the end of the reporting date, the purchaser is performing due diligence works. The transaction is expected to be completed by end of 2018.

In anticipation of the uncertain and challenging economic environment and volatility in the market ahead, the Group will continue to adopt a cautious and proactive approach in managing its core investments and to look for sound and stable investment opportunities to produce sustainable returns for the Company's shareholders.

Trading of medical equipment and home security and automation products

The increasing standard of living around the globe, especially in Hong Kong and 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 reporting period, 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 major cities in the PRC, we expect 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.

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 Company.

The Group also commenced engaging in click-and-mortar retail business since 2015. With the brick-and-mortar store and online stores, customers can get the best of both worlds. In view of the trend of the world, shoppers are increasingly buying things they need online because it offers certain convenience — from delivering your order right to your door to broad selection and low prices — that brick-and-mortar stores can't.

On the other hand, we will also expand the retail and wholesales business to import/export business for trading of Fast Moving Consumer Goods ("**FMCG**"). FMCG are products that sell quickly at relatively low cost – items such as maternal and child products, food, household items and health care products. FMCG have short shelf lives, so, while profit margin on individual FMCG sales is low, the volume of sales makes up for it. The online customers for buying groceries and other consumable products is increasing as the Group improves the efficiency of delivery logistics, which shortens delivery times. The Group will try to source the FMCG around the world and import to Mainland China.

USE OF PROCEEDS FROM THE OPEN OFFER

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

As at 31 March 2018, the net proceeds had been utilised as follows:

	Actual net proceeds *HK$ million*	Amount utilised up to 31 March 2018 *HK$ million*	Balance as at 31 March 2018 *HK$ million*
Repayment of the term loan and accrued interest	**20.0**	**20.0**	–
Injection to the e-commerce projects	**36.2**	**36.2**	–
General working capital	**45.6**	**45.6**	–
Total	**101.8**	**101.8**	–

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

HUMAN RESOURCES

As at 31 March 2018, the Group had 138 employees, 101 of whom were based in the PRC and the remaining employees were based in Hong Kong. The total employee benefits expenses (including discontinued operations) including directors' emoluments for the year under review amounting to approximately HK$24 million as compared to HK$28 million in last year, the decrease was mainly due to decrease in expenses on share options granted to certain directors and employees of the Group in 2015 which were exercisable from April 2015 to April 2018.

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

The Directors herein present their report and the audited financial statements of the Group for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of (a) property development and investment; and (b) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 March 2018 and the Group's financial position at that date are set out in the financial statements on pages 51 to 140.

No interim dividend was paid during the year (2017: Nil) and the Directors recommends the payment of a final dividend of HK0.5 cent (2017: HK0.5 cent) per ordinary share in respect of the year.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the Annual General Meeting ("**AGM**"), the register of members of the Company will be closed from 15 August 2018 to 20 August 2018, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 14 August 2018.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from 27 August 2018 to 29 August 2018, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 24 August 2018. Final dividend is payable on 14 September 2018 to shareholders of record on 29 August 2018.

SUMMARY OF FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Continuing operations	**190,783**	199,683	91,467	100,123	158,811
PROFIT FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	**54,562**	36,575	206,413	143,656	183,896
Share of profits and losses of a joint venture	**–**	–	–	–	(16)
Share of profits and losses of associates	**8,671**	1,616	483	577	679
PROFIT BEFORE TAX	**63,233**	38,191	206,896	144,233	184,559
Income tax expense	**(16,198)**	(35,069)	(73,171)	(48,629)	(49,888)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**47,035**	3,122	133,725	95,604	134,671
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**–**	174,863	14,061	(3,213)	11,047
	47,035	177,985	147,786	92,391	145,718
Attributable to:					
Owners of the Company	**47,776**	144,934	140,998	94,476	145,712
Non-controlling interests	**(741)**	33,051	6,788	(2,085)	6
	47,035	177,985	147,786	92,391	145,718

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**2,804,205**	2,783,058	3,302,666	2,747,928	1,927,390
Total liabilities	**(1,154,401)**	(1,326,345)	(1,921,417)	(1,578,857)	(944,704)
Non-controlling interests	**609**	(120)	(20,983)	(16,337)	(5,823)
	1,650,413	1,456,593	1,360,266	1,152,734	976,863

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 28.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options during the year are set out in notes 29 and 30 to the financial statements, respectively.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2018.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 March 2018, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$156,393,000 of which HK$4,890,000 has been proposed as a final dividend. In addition, the Company's share premium account and capital redemption reserve, in the aggregate amount of HK$257,497,000, may be distributed in the form of fully paid bonus shares.

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

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2018 is set out in the section headed "**Management Discussion and Analysis**" on pages 5 to 12 of this report. These discussions form part of this "**Report of the Directors**".

This business review is made pursuant to paragraph 28(2)(d) of Appendix 16 to the Main Board Listing Rules (the "**Listing Rules**") published by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), pursuant to which further analysis of and discussion on the above principal activities of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") are made. In the opinion of the Directors, the "**Chairman's Statement**" and "**Management Discussion and Analysis**" section provides a comprehensive review of the performance of the Group for the year ended 31 March 2018 as well as its future prospects.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks relating to properties development and investment segment

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

Risk relating to financial conditions and results of operation

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

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

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

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

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

The Company is committed to complying with the above laws and regulations and for the year ended 31 March 2018, there was no reported case of material non-compliance.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 31 March 2018, the Group had a headcount of 138 employees (2017: 144). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

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

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

PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Group has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the year ended 31 March 2018.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2018, sales to the Group's five largest customers accounted for approximately 14% (2017: 37%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 6% (2017: 9%). Purchases from the Group's five largest suppliers accounted for approximately 73% (2017: 29%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 57% (2017: 8%).

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

DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

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

* audit committee members
\# remuneration committee members
@ nomination committee members

Mr. Tjia Boen Sien, Mr. Wang Jing Ning and Mr. Siu Kam Chau will retire by rotation according to the Company's Bye-Laws and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

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

Save as disclosed in paragraph headed "**Continuing Connected Transactions**" and note 36 to the financial statements, no Director, a connected entity of a Director nor a controlling shareholder of the Company had a material beneficial interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2018.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2018, the interests and short positions of the Directors in the share capital and share options of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Section 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Share options** *(Note 1)*	**Total**	**Percentage of the Company's issued share capital**
Mr. Tjia Boen Sien *(Note 2)*	68,661,600	349,935,000	160,000	418,756,600	42.82
Mr. Lu Quanzhang	150,000	–	500,000	650,000	0.07
Mr. Wang Jing Ning	26,429,400	–	2,000,000	28,429,400	2.91
Mr. Tjia Wai Yip, William	2,400,000	–	2,000,000	4,400,000	0.45
Dr. Ho Chung Tai, Raymond	727,500	–	160,000	887,500	0.09
Ir Siu Man Po	920,000	–	160,000	1,080,000	0.11
Mr. Siu Kam Chau	–	–	160,000	160,000	0.02

Notes:

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

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

Long positions in ordinary shares of DCIHL:

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

Long positions in ordinary shares of Sparta Assets:

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

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

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

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

Save as disclosed above and note 30 to the financial statements, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "**Directors' Interests and Short Positions in Shares and Underlying Shares**" above and in the heading "**Share Option Scheme**" and share option scheme disclosures set out in note 30 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

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

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

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

Name or category of participant	Number of share options: At 1 April 2017	Granted during the year	Expired during the year	At 31 March 2018	Date of grant of share options	Exercise period of share options	Price of the Company's shares**: Exercise price of share options* HK$ per share	At grant date of options HK$ per share
Directors: (continued)								
Tjia Wai Yip, William	2,000,000	–	(2,000,000)	–	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	2,000,000	–	–	2,000,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Ho Chung Tai, Raymond	160,000	–	(160,000)	–	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	–	–	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Siu Man Po	160,000	–	(160,000)	–	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	–	–	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Siu Kam Chau	160,000	–	(160,000)	–	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	–	–	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
	10,280,000	–	(5,140,000)	5,140,000				

Name or category of participant	Number of share options: At 1 April 2017	Granted during the year	Expired during the year	At 31 March 2018	Date of grant of share options	Exercise period of share options	Price of the Company's shares**: Exercise price of share options* HK$ per share	At grant date of options HK$ per share
Other employees, in aggregate	10,120,000	–	(10,120,000)	–	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	9,600,000	–	–	9,600,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Total	30,000,000	–	(15,260,000)	14,740,000				

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

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

Further details of the Scheme are included in note 30 to the financial statements.

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

At 31 March 2018, so far as is known to the Directors of the Company, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Sparta Assets *(Note 1)*	Beneficial owner	349,935,000	35.79
Mr. Tjia Boen Sien	Interests of controlled corporation	349,935,000	35.79
	Directly beneficially own	68,661,600	7.02
	Share option	160,000	0.01
Granda Overseas Holding Co. Ltd. ("**Granda**") *(Note 2)*	Beneficial owner	173,698,740	17.76
Mr. Chen Huofa	Interests of controlled corporation	173,698,740	17.76

Notes:

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

2. Granda, a company incorporated in the BVI and wholly-owned by Mr. Chen Huofa, is beneficially interested in 173,698,740 ordinary shares of the Company.

Save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section "**Directors' Interests and Short Positions in Shares and Underlying Shares**" above, at 31 March 2018, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2018.

CAPITAL STRUCTURE

Details of the changes of the capital structure of the Company during the year ended 31 March 2018 are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

CONTINUING CONNECTED TRANSACTIONS

Administrative services agreement

On 16 December 2014, Grand On Enterprise Limited ("**Grand On**"), a wholly-owned indirect subsidiary of the Company, and Deson Development Limited ("**DDL**"), an associate of the Company, entered into an administrative services agreement ("**Administrative Services Agreement**"), pursuant to which DDL, as a service provider, has agreed to provide Grand On certain administrative services including provision of office facilities, utilities and equipment support, cleaning services, administrative support and information technology system and technical training support, for a term of three years from 8 January 2015 and ended on 31 March 2017. In consideration of the provision of such administrative services, Grand On shall pay to DDL a service fee, based on DDL's actual direct and indirect cost incurred in the supply and procuring of the supply of such services, including overheads, human and/or other resources. The annual service fee payable by Grand On to DDL for each of the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 did not exceed HK$600,000.

On 1 April 2017, the Administrative Services Agreement was renewed for a term of two years from 1 April 2017 to 31 March 2019. The annual service fee payable by Grand On to DDL for each of the financial years ended 31 March 2018 and 2019 is not expected to exceed HK$600,000.

Leases of office premises in Hong Kong

(i) On 21 November 2014, Grand On as landlord and DDL as tenant, entered into a tenancy agreement, for the rental of certain portions of the Nanyang Plaza property located at 11th Floor of Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong with an aggregate floor area of approximately 9,500 square feet ("**sq. ft.**") and the joint rights to occupy and use a common area with aggregate floor area of approximately 3,200 sq. ft. The term of tenancy was from 21 November 2014 to 31 March 2017, with a rental of HK$143,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for each of the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 did not exceed HK$1,716,000.

On 15 April 2017, the tenancy agreement was renewed for a term of two years from 1 April 2017 to 31 March 2019, with a rental of HK$143,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for each of the financial years ended 31 March 2018 and 31 March 2019 is not expected to exceed HK$1,716,000.

(ii) On 30 May 2014, the Group entered into a tenancy agreement with Fitness Concept Limited, a company wholly-owned by Mr. Tjia Boen Sien ("**Mr. Tjia**"), the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of a property of the Group in Hong Kong. The tenancy agreement was contracted for three years commencing 1 April 2014, and the monthly rent payable was HK$25,500. The rental income earned during the year ended 31 March 2018 from this tenancy agreement was approximately HK$306,000. This tenancy agreement was renewed ("**Revised Tenancy Agreement**") on 15 April 2017 and contracted for three years commencing 1 April 2017, and the monthly rent payable is HK$25,500.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 42.81% equity interest in the Company at the time entering into the Revised Tenancy Agreement, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules, the transactions therefore constitute connected transactions of the Company.

As each of the applicable percentage ratios of the transactions was less than 5% and the total considerations involved were less than HK$3,000,000, pursuant to Rule 14A.33 of the Listing Rules, the transactions were exempted from the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

PARTICULARS OF PROPERTIES

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

Location	Attributable interest of the Group	Stage of completion	Expected completion date	Expected use	Gross floor area
Section G 1 Xi Da Jie Kaifeng City Henan Province PRC	100%	Removal stage	2019	Residential/ commercial complex	The total gross floor area is 31,000 square metres (“**sq. m.**”)
Residential Zone 2-3 Core Lot No. 2012-1 Zheng Kai Avenue Kaifeng City Henan Province PRC	100%	Construction stage	2019	Residential/ commercial complex	The total gross floor area is 36,818 sq. m.
Commercial Zone A Core Lot No. 2012-1 Zheng Kai Avenue Kaifeng City Henan Province PRC	100%	Construction stage	2019	Hotel	The total gross floor area is 14,823 sq. m.

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

Location	Attributable interest of the Group	Tenure	Current use	Gross floor area
Phase I to IV of Asian Villas City Square Southern Area Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Residential/ commercial complex	The total gross floor area is 87,647 sq. m.
Sections B to F 1 Xi Da Jie Kaifeng City Henan Province PRC	100%	The properties are held for a term of 70 years, commencing on 15 June 2005 and expiring on 15 June 2075	Residential/ commercial complex	The total gross floor area is 136,591 sq. m.
Residential Zone 1 Commercial Zone A, B, C and D Core Lot No. 2012-1 Zheng Kai Avenue Kaifeng City Henan Province PRC	100%	The properties are held for a term of 40 years, commencing on 3 June 2013 and expiring on 13 May 2053	Commercial	The total gross floor area is 38,366 sq. m.
Zhu Ji Lane North of Confucian Temple Street West of the Yousiguankou	100%	The properties are held for a term of 40 years, commencing on 14 November 2014 and expiring on 9 October 2054	Commercial	The total gross floor area is 12,827 sq. m.

The investment properties of the Group are as follows:

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public throughout the year ended 31 March 2018.

EVENT AFTER THE REPORTING PERIOD

Details of significant event occurring after the reporting period are set out in note 40 to the financial statements.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls, risk management and financial reporting matters including the review of the annual results for the year ended 31 March 2018, and adequacy of resources and qualifications of the Group's accounting staff. The audit committee comprise three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The annual results of the Group for the year ended 31 March 2018 have been reviewed by the audit committee members who have provided advice and comment thereon.

AUDITOR

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

Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong
21 June 2018

EXECUTIVE DIRECTORS

LU Quanzhang ("Mr. Lu"), aged 62, is an executive Director of the Company since 9 November 2011. He is also the Chairman of the Board. Mr. Lu has over 22 years of experience in legal practice in the PRC. Mr. Lu is a registered lawyer in the PRC and holds a master post graduate certificate of law from China University of Political Science and Law (Practicing). Mr. Lu was a founding partner of Jun Yan Law Firm in Guangdong where he has practiced since 2003. Currently, Mr. Lu is the senior partner of S D & Partners, a private leading law firm in Shenzhen and South China. He is an arbitrator of the China International Economic and Trade Arbitration Commission, Shenzhen Court of International Arbitration and Shanghai International Arbitration Centre.

TJIA Boen Sien ("Mr. Tjia"), aged 74, is one of the co-founders of the Group. He is the Managing Director and Deputy Chairman of the Company. Mr. Tjia is the member of Remuneration Committee and the member of Nomination Committee of the Board. Mr. Tjia is well respected and has established connections in the PRC construction industry through his extensive experience. He has over 35 years' experience in the construction industry in the PRC and Hong Kong. Mr. Tjia is responsible for the overall corporate strategy and the daily operations of the Group, including business development and overall management.

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

WANG Jing Ning ("Mr. Wang"), aged 62, is an executive Director of the Company and was appointed as a director of the Company in September 1993. He is also a director of various main operating subsidiaries of the Group, among others, Deson Ventures (Hong Kong) Limited, Winsome Properties Limited and Honour Advance Limited. Mr. Wang has over 38 years' experience in hotel management and construction engineering in Mainland China and Hong Kong. He is responsible for managing the Group's projects in Mainland China.

TJIA Wai Yip, William ("Mr. William Tjia"), aged 42, is an executive Director of the Company since January 2015. Mr William Tjia joined the Group in February 2000. He is a director of Deson Innovative Limited since July 2005, one of the subsidiaries of the Company. He is responsible for intelligent building and security systems business of the Group, and has over 17 years' of experience in this field. He is also responsible for assisting the Group's development including business development and overall management. He graduated from the City University of Hong Kong with a Bachelor of Arts with Honours Degree in Information Systems in 1998. He is the son of Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

HO Chung Tai, Raymond ("Dr. Ho"), SBS, MBE, S.B. St. J., JP, aged 79, is an independent non-executive Director of the Company and was appointed as a director of the Company in September 1993. Dr. Ho has over 50 years' experience in the fields of civil, structural, environmental and geotechnical engineering and direct project management of mega size engineering projects including 45 years in Hong Kong and 10 years in the United Kingdom, with direct responsibility for the $3.0 billion (cost at the time) project of Electrification and Modernisation of Kowloon-Canon Railway from the mid-70's till early 80's, all the government-funded infrastructure works for Shatin New Town and Tseung Kwan O New Town from early 80's till the end of 1993, major projects of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial/residential buildings, geotechnical work, environmental studies and projects. Dr. Ho holds a doctorate degree in civil engineering from the City University of London, United Kingdom, Honorary Doctor of Business Administration from the City University of Hong Kong, Honorary Doctor of Laws from University of Manchester, United Kingdom, a postgraduate diploma in geotechnical engineering from Manchester University, United Kingdom and a bachelor degree in civil engineering from the University of Hong Kong. Dr. Ho was formerly a partner and senior director of Maunsell Consultants Asia Limited from January 1976 to August 1993. Dr. Ho was formerly Hong Kong Deputy to the 10th & 11th National People's Congress of the PRC, member of the 1st, 2nd, 3rd & 4th terms of Legislative Council (Engineering Functional Constituency) (1998-2012), member of the Provisional Legislative Council (1996-1998), President of the Hong Kong Institution of Engineers (1987/1988), Founding Council Chairman of the City University of Hong Kong, Council Chairman of the former City Polytechnic of Hong Kong, Chairman of Hong Kong Technology Committee of the Industry & Technology Development Council (ITDC) and member of ITDC, Chairman of the Transport Advisory Committee, Hong Kong Affairs Adviser, board member of the Hong Kong Airport Authority, member of the Court of the City University of Hong Kong, member of the Chinese Medicine Consultative Committee of the School of Chinese Medicine of Hong Kong Baptist University, member of Consultative Committee on the New Airport and Related Projects, and member of the Gas Safety Advisory Committee. Currently, Dr. Ho is Chairman of Guangdong Daya Bay Nuclear Plant, LingAo Nuclear Plant Safety Consultative Committee and Professional Advisor (Architecture, Engineering and Surveying) to the Ombudsman, Hong Kong.

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

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

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

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

Ir Siu, aged 80, obtained his Master of Science in Civil Engineering in 1963 from Auburn University in Auburn, Alabama, U.S.A.

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

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

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

SIU Kam Chau ("Mr. Siu"), aged 53, joined the Company in March 2014 as an independent non-executive Director. Mr. Siu is the Chairman of the Audit Committee and the Chairman of the Remuneration Committee, and member of the Nomination Committee of the Board. Mr. Siu graduated from the City University of Hong Kong with a bachelor's degree in Accountancy. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (practising) in Hong Kong. Mr. Siu has over 28 years of working experience in auditing, accounting, company secretarial and corporate finance. Mr. Siu is currently an independent non-executive director of Wang On Group Limited (stock code: 1222) of which is a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He was an executive director of Power Financial Group Limited (formerly known as "Jun Yang Financial Holdings Limited") (stock code: 0397) from October 2011 to February 2016.

SENIOR MANAGEMENT

LAM Wing Wai, Angus ("Mr. Lam"), aged 42, joined the Group in September 2005. He is the Company Secretary and the Financial Controller of the Group. He is responsible for monitoring all the Group's accounting, finance, listing compliance and company secretarial functions. He holds a Bachelor Degree in Business Administration from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, He has several years' experience with an international accounting firm. Mr. Lam is the company secretary and financial controller of Deson Construction International Holdings Limited (stock code: 8268), a company listed on the Growth Enterprise Market of the Stock Exchange.

TSE Hoi Ying, Irene ("Ms. Tse"), aged 45, joined the Group in August 1999. She is the Director of the Medical Technologies Limited since September 2002, which is one of the subsidiaries of the Group. Ms. Tse is responsible for trading of medical equipment and related consulting business of the Group, and has over 16 years' of experience in this field. She graduated from the University of British Columbia (Canada) with a Bachelor of Arts (Psychology) in May 1995. She is the daughter of Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman of the Group.

KWOK Chun Fai ("Mr. Kwok"), aged 74, joined the Group in February 1991. He is the project manager of the Group and is responsible for the Group's construction projects in Mainland China. He has over 44 years' experience in the industry. He graduated from Fujian Overseas Chinese University in Mainland China in Civil Industrial and Civil Building. He obtained the International Engineering and Professional Manager Qualification Certificate and the Member of Architectual Society of Chinese.

The Company is committed to a high standard of corporate governance practices and business ethics in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Company's corporate governance practices are based on the principles ("**Principles**") and the code provisions ("**Code Provisions**") as set out in the CG Code contained in Appendix 14 of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The Company has complied with most of the Code Provisions throughout the year ended 31 March 2018 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 in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellent corporate governance.

Summary of deviation of the CG Code:

Code Provision A.4.1

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

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

THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

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

THE BOARD

Responsibilities

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

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

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

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

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

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

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

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

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

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

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

Composition

As at the date of this report, the Board comprises seven members, consisting of four executive Directors, and three independent non-executive Directors.

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

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

The Board of the Company comprises the following Directors as at 31 March 2018:

Executive Directors

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

Independent Non-Executive Directors

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

Details of the backgrounds and qualifications of the chairman of the Company and the other Directors are set out under the section headed "**Biographical Details of Directors and Senior management**" on pages 30 to 32 of this annual report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Save for Mr. Tjia Boen Sien and Mr. Tjia Wai Yip, William, who are father and son, none of the members of the Board are related to one another or have any financial, business, family or other material or relevant relationships with each other.

During the year ended 31 March 2018, the Board at all times complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

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

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

Appointment and Succession Planning of Directors

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

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. In accordance with the Company's Bye-Laws, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Although the independent non-executive Directors do not have a specific term of appointment, all Directors of the Company retire by rotation once every three years. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

Training for Directors and Company Secretary

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

During the year ended 31 March 2018, the Directors are regularly updated and appraised with any new regulations and guideline, as well as any amendments thereto issued by the Stock Exchange, particularly the effects of such new or amended regulations and guidelines on directors specifically. On an ongoing basis, Directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars as appropriate.

The Company is aware of the requirement to regularly review and agrees with each Director their training needs. The continuing professional training program of the Company for Directors will be reviewed on an ongoing basis by the Nomination Committee. During the year ended 31 March 2018, all Directors have individually attended seminars and training courses conducted by qualified professions on accounting, taxation and Listing Rules.

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

For the financial year ended 31 March 2018, the Company Secretary of the Company has taken no less than 15 hours of relevant professional training.

Board Meetings

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

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

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

Executive Directors	**Directors' Attendance**
Mr. Lu Quanzhang *(Chairman)*	3/3
Mr. Tjia Boen Sien *(Managing Director and Deputy Chairman)*	3/3
Mr. Wang Jing Ning	3/3
Mr. Tjia Wai Yip, William	3/3
Independent Non-Executive Directors	
Dr. Ho Chung Tai, Raymond	3/3
Ir Siu Man Po	3/3
Mr. Siu Kam Chau	2/3

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

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

Apart from the above regular Board meetings of the year, the Board will meet on other occasions when a Board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting.

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

Directors' commitments

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

ANNUAL GENERAL MEETING

The Company held the annual general meeting ("**2017 AGM**") on 15 August 2017. Mr. Siu Kam Chau was unable to attend the annual general meeting of the Company due to business engagements. Mr. Tjia Boen Sien, the executive Director, was elected as the chairman of the annual general meeting to ensure effective communication with shareholders of the Company at the meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

BOARD COMMITTEES

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

Remuneration Committee

Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau are the members of the Remuneration Committee and Mr. Siu Kam Chau is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the executives after consultation with the Chairman/Managing Director and accessed to professional advice, at the Group's expense, when necessary. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions. The Remuneration Committee normally meets towards the end of each year to reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors, independent non-executive Directors and senior management and other related matters. The Group's remuneration policy is to maintain fair and competitive remuneration packages based on business needs and market practice. Factors such as market rate, an individual's qualification, experience, performance and time commitment are taken into account during the remuneration package determination process. The Remuneration Committee met one time during the year ended 31 March 2018 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive Directors, independent non-executive Directors and senior management for the year under review. Recommendations have been made to the Board.

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

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

Nomination Committee

Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau are the members of the Nomination Committee and Ir Siu Man Po is the chairman of the committee. The primary objectives of the Nomination Committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience. The Nomination Committee also assesses the independence of independent non-executive Directors and make recommendation to the Board on the appointment and reappointment of Directors and succession planning for Directors. Candidates for appointment as Directors may be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest caliber in their area of expertise and experience. The Nomination Committee met one time during the year ended 31 March 2018 and reviewed the structure, size and composition of the Board for the year under review.

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

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

Audit Committee

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

The main duties of the Audit Committee include the following:

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

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

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

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

The Audit Committee held two meetings during the year ended 31 March 2018 to review the financial results and reports, financial reporting and compliance procedures, and discussed matters concerning the effectiveness of internal control systems and the re-appointment of the external auditor. Minutes of Audit Committee meetings are kept by the Company Secretary of the Company. Draft and final version of the minutes of meetings are sent to all committee members for comments within a reasonable time after the meeting. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resources are provided by the Company for the Audit Committee to perform its duties.

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

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

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

COMPANY SECRETARY

Please refer to section headed "**Biographical Details of Directors and Senior Management**" on pages 30 to 32 of annual report for biographical details of the Company Secretary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remuneration, five highest paid individual and senior management's emoluments are set out in notes 8 and 9 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

The Company will issue a separate ESG Report no later than three months after the publication date of this annual report in compliance with the Appendix 27 of the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 31 March 2018, the Group had engaged the Group's external auditor, Ernst & Young, to provide the following services and their respective fees charged are set out below:

Fee charged for the year ended 31 March 2018:

Types of services:	*HK$'000*
Annual audit for the Group	1,600

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 2018. 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.

Whistleblowing Policy

The Company is committed to achieving and maintaining a high standard of probity, openness, and accountability. A Whistleblowing Policy is in place to create a system for the employees and other stakeholders of the Company to raise concerns, in confidence, about possible improprieties. The identity of each whistleblower and all information provided in connection with a whistleblowing report will be treated with the strictest confidence.

Continuous Disclosure Policy

A Continuous Disclosure Policy is in place to ensure potential inside information as defined in the SFO is identified and confidentiality of such information is maintained until timely and appropriate disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Roles and responsibilities of the divisions/departments of the Company in identifying and escalating any potential inside information within the Company; and

- Procedures for determining the necessity, means and/or extent of disclosure of such information.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors endeavour to ensure a balanced, clear and understandable assessment of the Company's position and prospect in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2018. The statement of the external auditor of the Group about their reporting responsibilities on the financial statements is set out in the "**Independent Auditor's Report**" on pages 46 to 50. Management of the Group is obligated to provide sufficient explanation and information to the Board so that it can make informed assessment of relevant matters.

RISK MANAGEMENT AND INTERNAL MONITORING

Risk Management and Internal Control

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

Risk Management System

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

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

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

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

Based on the risk assessments conducted in 2017/18, no significant risk was identified.

Internal Control System

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

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

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

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

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

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

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

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

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

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

Based on the internal control reviews conducted in 2017/18, no significant control deficiency was identified.

Internal Auditors

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

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

Effectiveness of the Risk Management and Internal Control Systems

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

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

INVESTOR RELATIONS

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

The Company's 2017 AGM was held on 15 August 2017. The notice of the 2017 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than 20 clear business days before the 2017 AGM. All Board members together with the key executives and the external auditor attended the 2017 AGM. The Chief Executive Officier explained the poll voting procedures at the 2017 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2017 AGM. All the resolutions at the 2017 AGM were dealt with by poll. The poll results of the 2017 AGM are available on the Company's website and the Stock Exchange's website.

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

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

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

SHAREHOLDER RIGHTS

To ensure compliance with the CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least 20 clear business days before the annual general meeting. Voting at the forthcoming annual general meeting will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the annual general meeting to ensure that shareholders are familiar with such procedures.

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

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

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

There was no significant change in the Company's constitutional documents during the year ended 31 March 2018.

SHAREHOLDERS COMMUNICATION POLICY

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

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

OPINION

We have audited the consolidated financial statements of Deson Development International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 51 to 140, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation on investment properties	
As at 31 March 2018, the Group's investment properties measured at fair value amounted to HK$1,031,125,000 with a net gain arising from the change in fair value recognised in the statement of profit or loss of HK$53,935,000 for the year then ended. The valuation process is inherently subjective, and dependent on a number of estimates. To support management's determination of the fair value, the Group has engaged independent professionally qualified valuers to perform the valuation on investment properties. Relevant disclosures are included in notes 3 and 15 to the financial statements.	Amongst our audit procedures, we considered the objectivity, independence and expertise of the valuers, and assessed their valuation methodology. We examined the data used as inputs for the valuation, which included reference to the market unit selling price of comparable properties nearby used in the valuation and performed market value benchmarking against comparable properties. We also involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies for the valuation on the investment properties held by the Group.
Net realisable value assessment on properties held for sale under development and properties held for sale	
As at 31 March 2018, the Group's properties held for sale under development and properties held for sale amounted to HK$424,412,000 and HK$705,682,000, respectively. Properties held for sale under development and properties held for sale are stated at the lower of cost and net realisable value. The net realisable value of these properties is assessed by management and is heavily influenced by developments in the housing market in Mainland China and economic considerations. The assessment is significant to our audit, considering the complexity of the estimation process where construction budgeting is involved; the estimation of sales proceeds and the assumptions used in the estimates; and the degree of judgement involved. Relevant disclosures are included in notes 3 and 19 to the financial statements.	Our audit procedures included the understanding and review of management's assessment process and assumptions adopted; referring to externally available industry and market data; and considering actual sales transactions of the Group's properties during the year and subsequent to the end of the reporting period. We have also reviewed the costs incurred and the cost allocation report prepared by management to assess the total costs of properties.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on investments in associates	
As at 31 March 2018, the carrying amount of investments in associates amounted to HK$118,352,000. These investments are subject to impairment assessment when there is an impairment indicator. In the course of performing such impairment assessment, significant judgements and estimation are required by management to determine the recoverable amount of the investments in associates. The determination of recoverable amounts of investments in associates is dependent on a range of estimates (amongst others, estimated cash flows and discount rate). Relevant disclosures are included in notes 3 and 16 to the financial statements.	Our audit procedures included understanding management's process for identifying the existence of impairment indicator in respect of the investments in associates, and the rationale and bases used by management used in their impairment assessment. When future cash flows forecast of the associates is used to determine the recoverable amount, we evaluated the calculation and important assumptions used by management in the preparation of the forecast, such as discount rate and growth rate. We also involved our internal valuation experts to assist us in assessing the discount rate applied in the future cash flows forecast.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Sai Yu.

Ernst & Young
Certified Public Accountants

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

21 June 2018

	Notes	2018 HK$'000	2017 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**190,783**	199,683
Cost of sales		**(142,359)**	(137,650)
Gross profit		**48,424**	62,033
Other income and gains	5	**19,479**	32,168
Fair value gain on investment properties, net		**53,935**	34,713
Administrative expenses		**(68,609)**	(70,564)
Other operating income, net		**5,268**	3,024
Finance costs	7	**(3,935)**	(24,799)
Share of profits and losses of associates		**8,671**	1,616
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**63,233**	38,191
Income tax expense	10	**(16,198)**	(35,069)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**47,035**	3,122
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	12	**–**	174,863
PROFIT FOR THE YEAR		**47,035**	177,985
Attributable to:			
Owners of the Company		**47,776**	144,934
Non-controlling interests		**(741)**	33,051
		47,035	177,985
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted			
– For profit for the year		**HK4.89 cents**	HK14.82 cents
– For profit from continuing operations		**HK4.89 cents**	HK0.34 cent

Consolidated Statement of Comprehensive Income

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR		**47,035**	177,985
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**135,802**	(67,145)
Reclassification adjustment for a foreign operation disposed of during the year		**3,281**	–
Share of other comprehensive income/(loss) of associates		**850**	(2,801)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**139,933**	(69,946)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of leasehold land and buildings	14	**13,152**	25,034
Income tax effect	28	**(2,610)**	(4,630)
Share of other comprehensive income of associates		**419**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**10,961**	20,404
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**150,894**	(49,542)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**197,929**	128,443
Attributable to:			
Owners of the Company		**198,658**	96,025
Non-controlling interests		**(729)**	32,418
		197,929	128,443

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**226,736**	217,258
Investment properties	15	**1,031,125**	887,841
Investments in associates	16	**118,352**	98,260
Available-for-sale investments	17	**21,641**	21,641
Total non-current assets		**1,397,854**	1,225,000
CURRENT ASSETS			
Due from associates	16	**576**	356
Due from related companies	18	**3,479**	2,637
Properties held for sale under development and properties held for sale	19	**1,130,094**	1,075,972
Inventories	20	**8,195**	8,444
Accounts receivable	21	**34,300**	34,586
Prepayments, deposits and other receivables	22	**30,938**	35,445
Equity investment at fair value through profit or loss	23	**4,510**	4,329
Pledged deposits	24	**126,000**	182,900
Cash and cash equivalents	24	**68,259**	67,073
		1,406,351	1,411,742
Assets of a disposal group classified as held for sale	32	**–**	146,316
Total current assets		**1,406,351**	1,558,058
CURRENT LIABILITIES			
Accounts payable	25	**12,253**	9,149
Other payables and accruals	26	**318,778**	254,471
Due to associates	16	**5,258**	5,549
Tax payable		**36,359**	51,075
Interest-bearing bank and other borrowings	27	**271,721**	512,978
		644,369	833,222
Liabilities directly associated with the assets classified as held for sale	32	**–**	68,721
Total current liabilities		**644,369**	901,943
NET CURRENT ASSETS		**761,982**	656,115

	Notes	2018 HK$'000	2017 HK$'000
NET CURRENT ASSETS		**761,982**	656,115
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,159,836**	1,881,115
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**340,241**	277,415
Deferred tax liabilities	28	**169,791**	146,987
Total non-current liabilities		**510,032**	424,402
Net assets		**1,649,804**	1,456,713
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**97,788**	97,788
Reserves	31	**1,552,625**	1,358,805
		1,650,413	1,456,593
Non-controlling interests		**(609)**	120
Total equity		**1,649,804**	1,456,713

Tjia Boen Sien
Director

Wang Jing Ning
Director

		Attributable to owners of the Company														
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Investment revaluation reserve HK$'000	Reserve funds HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016		97,788	243,040	15,262	23,061	116,880	(9,240)	14,457	4,689	12,180	2,801	4,529	834,819	1,360,266	20,983	1,381,249
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	144,934	144,934	33,051	177,985
Other comprehensive income/(loss) for the year:																
Surplus on revaluation of leasehold land and buildings, net of tax		–	–	–	–	19,612	–	–	–	–	–	–	–	19,612	792	20,404
Share of other comprehensive loss of associates		–	–	–	–	–	–	–	–	–	(2,801)	–	–	(2,801)	–	(2,801)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	(65,720)	–	–	–	(65,720)	(1,425)	(67,145)
Total comprehensive income/(loss) for the year		–	–	–	–	19,612	–	–	–	(65,720)	(2,801)	–	144,934	96,025	32,418	128,443
Release of revaluation reserve		–	–	–	–	(4,979)	–	–	–	–	–	–	4,979	–	–	–
Equity-settled share option arrangement	30	–	–	–	–	–	–	–	1,300	–	–	–	–	1,300	–	1,300
Expiry of share options	30	–	–	–	–	–	–	–	(1,333)	–	–	–	1,333	–	–	–
Capital injection to a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	–	294	294
Disposal of subsidiaries	33	–	–	–	–	(8,146)	–	–	–	(998)	–	(856)	9,002	(998)	(53,575)	(54,573)
At 31 March 2017		97,788	243,040*	15,262*	23,061*	123,367*	(9,240)*	14,457*	4,656*	(54,538)*	–	3,673*	995,067*	1,456,593	120	1,456,713

		Attributable to owners of the Company													
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017		97,788	243,040	15,262	23,061	123,367	(9,240)	14,457	4,656	(54,538)	3,673	995,067	1,456,593	120	1,456,713
Profit for the year		-	-	-	-	-	-	-	-	-	-	47,776	47,776	(741)	47,035
Other comprehensive income for the year:															
Surplus on revaluation of leasehold land and buildings, net of tax		-	-	-	-	10,542	-	-	-	-	-	-	10,542	-	10,542
Share of other comprehensive income of associates		-	-	-	-	419	-	-	-	850	-	-	1,269	-	1,269
Exchange differences related to foreign operations		-	-	-	-	-	-	-	-	139,071	-	-	139,071	12	139,083
Total comprehensive income/(loss) for the year		-	-	-	-	10,961	-	-	-	139,921	-	47,776	198,658	(729)	197,929
Release of revaluation reserve		-	-	-	-	(5,078)	-	-	-	-	-	5,078	-	-	-
Equity-settled share option arrangement	30	-	-	-	-	-	-	-	52	-	-	-	52	-	52
Expiry of share options	30	-	-	-	-	-	-	-	(2,310)	-	-	2,310	-	-	-
Final 2017 dividend paid	11	-	-	-	-	-	-	-	-	-	-	(4,890)	(4,890)	-	(4,890)
Disposal of subsidiaries		-	-	-	-	-	-	-	-	-	(2,712)	2,712	-	-	-
At 31 March 2018		97,788	243,040*	15,262*	23,061*	129,250*	(9,240)*	14,457*	2,398*	85,383*	961*	1,048,053*	1,650,413	(609)	1,649,804

* These reserve accounts comprise the consolidated reserves of HK$1,552,625,000 (2017: HK$1,358,805,000) in the consolidated statement of financial position.

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange thereof, pursuant to the Group's 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	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**63,233**	38,191
From discontinued operations	12	**–**	176,897
Adjustments for:			
Finance costs		**3,935**	27,754
Share of profits and losses of associates		**(8,671)**	(1,616)
Interest income		**(3,323)**	(17,657)
Fair value gain on investment properties, net		**(53,935)**	(35,461)
Dividend income from available-for-sale investments	5	**(739)**	–
Dividend income from equity investments at fair value through profit or loss		**(111)**	(217)
Loss on disposal of items of property, plant and equipment	6	**21**	355
Depreciation		**10,498**	9,844
Reversal of impairment of properties held for sale	6	**(1,180)**	(12,650)
Provision/(reversal of provision) for inventories	6	**(138)**	304
Impairment of other receivables, net	6	**1,392**	10,096
Fair value gain on equity investments at fair value through profit or loss, net		**(181)**	(45,398)
Fair value loss on derivative component of convertible bonds		**–**	876
Impairment of accounts receivable	6	**–**	651
Equity-settled share option expenses	6	**52**	1,300
Gain on disposal of subsidiaries		**(6,214)**	(106,373)
		4,639	46,896
Decrease in properties held for sale under development and properties held for sale		**102,251**	6,164
Decrease in gross amount due from contract customers		**–**	4,538
Decrease in inventories		**387**	5,708
Decrease/(increase) in accounts receivable		**2,273**	(54,751)
Decrease/(increase) in prepayments, deposits and other receivables		**1,732**	(10,182)
Increase in equity investments at fair value through profit or loss		**–**	(16,108)
Increase in gross amount due to contract customers		**–**	9,926
Increase/(decrease) in accounts payable		**2,187**	(9,471)
Increase in other payables and accruals		**35,403**	46,750
Cash generated from operations		**148,872**	29,470
Interest paid		**(46,896)**	(67,707)
Overseas taxes paid		**(18,742)**	(17,359)
Dividend received		**–**	174
Net cash flows from/(used in) operating activities		**83,234**	(55,422)

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,323**	17,657
Dividend income from available-for-sale investments		**739**	–
Dividend income from an equity investment at fair value through profit or loss		**111**	43
Dividend received from an associate		**–**	3,345
Purchases of items of property, plant and equipment		**(799)**	(4,344)
Proceeds from disposal of items of property, plant and equipment		**–**	53
Proceeds from disposal of subsidiaries	33	**89,521**	10,053
Repayment from/(advances to) associates, net		**(511)**	10,109
Decrease in pledged deposits		**72,500**	366,457
Net cash flows from investing activities		**164,884**	403,373
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**439,030**	250,920
Repayment of bank and other borrowings		**(683,622)**	(582,139)
Proceeds from issue of convertible bonds		**–**	30,900
Transaction costs of issue of convertible bonds		**–**	(725)
Increase in amounts due from related companies		**(842)**	(7,076)
Dividend paid		**(4,890)**	–
Net cash flows used in financing activities		**(250,324)**	(308,120)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,206)**	39,831
Cash and cash equivalents at beginning of year		**67,787**	29,503
Effect of foreign exchange rate changes, net		**2,678**	(1,547)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**68,259**	67,787
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	24	**68,259**	67,073
Cash and cash equivalents of a disposal group classified as held for sale	32	**–**	714
Cash and cash equivalents as stated in the statement of cash flows		**68,259**	67,787

1. CORPORATE AND GROUP INFORMATION

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

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

- property development and investment; and
- 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.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Deson Development Holdings Limited*	British Virgin Islands ("**BVI**")/ Hong Kong	US$200	Ordinary	100	–	Investment holding
Deson Property Development (Kaifeng) Co., Ltd.(a)*	PRC/ Mainland China	HK$311,880,000	N/A	–	–	Property development
Deson Ventures Limited*	BVI/ Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson Ventures (Hong Kong) Limited	Hong Kong	HK$1	Ordinary	–	100	Investment holding
Grand On Enterprise Limited	Hong Kong	HK$1	Ordinary	–	100	Property holding
Medical Technologies Limited	Hong Kong	HK$10,000	Ordinary	–	100	Trading of medical equipment

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

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

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

On 15 January 2018, as further explained in note 33(a) to the financial statements, the Group disposed of 70% effective equity interest in Yew Siang Limited ("**Yew Siang**") and its subsidiary, namely Hua Sheng International Real Estate Development (Shanghai) Co. Ltd. ("**Hua Sheng**") (collectively the "**Yew Siang Group**"). Yew Siang is engaged in investment holding and Hua Sheng is engaged in property development in the PRC.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant effect on these financial statements. Disclosure has been made in note 34 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that ensure users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 19	*Plan Amendments, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRSs[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 March 2019 and are expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During the year, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of its financial assets currently classified as available-for-sale investments. One of the Group's equity investments currently held as available for sale will be measured at fair value through other comprehensive income as this investment is intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for this equity investment cannot be recycled to profit or loss when the investment is derecognised. The remaining investment will be measured at fair value through profit or loss and the Group expects to apply the option to present fair value changes in statement of profit or loss.

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

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its accounts receivable. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The amendments do not appear to have significant impact on the Group's provision for impairment.

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

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. The Group expects that the transitional adjustment to be made on 1 April 2018 upon initial adoption of HKFRS 15 may not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 1 April 2018 onwards. During the year ended 31 March 2018, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

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

(a) Sale of properties held for sale

Currently, revenue from the sale of properties is recognised when the significant risks and rewards of ownership of the properties are transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties, that is when the construction of the relevant properties has been completed and the properties have been delivered to the buyers pursuant to the sale agreements, and the collectability of related receivables is reasonably assured. Upon the adoption of HKFRS 15, revenue from the sale of properties will be recognised when control over the properties is transferred to the buyers. Judgement will be required to assess whether control transfers over time or at a point in time. For properties that have no alternative use to the Group due to contractual restriction and which the Group has an enforceable right to payment from the customers for performance completed to date, the Group will recognise revenue from sale as the performance obligations are satisfied over time by applying an input method for measuring progress.

The Group has assessed that the sale agreements used by the Group are standardised to a large extent and in the case of pre-completion sales using standard agreements for sale and purchase, the Group does not have an enforceable right to payment for performance completed to date in accordance with HKFRS 15, and accordingly, the criteria for recognising revenue over time are not met for the majority of the sales of properties. The Group expects to recognise majority of the revenue from the sale of properties at the point in time at which the Group delivers the properties to the buyers. The Group does not anticipate that the application of HKFRS 15 will have a material impact on the timing of revenue recognition in the respective periods.

(b) Sales commission

The Group pays commission to the sales agent when the sale and purchase agreement is signed and the sales proceed is received from the property buyer. Following the adoption of HKFRS 15, incremental costs of obtaining a contract, including sales commission, if recoverable, are capitalised as an asset and shall be amortised on a systematic basis that is consistent with the transfer of the related property to the customer. Accordingly, the Group expects the recognition of an asset would result in an increase of opening retained profits as at 1 April 2018.

(c) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

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

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases.

HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 35 to the financial statements, at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$1,909,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 April 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Investments in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Investments in associates *(continued)*

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

Business combinations and goodwill

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Business combinations and goodwill *(continued)*

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

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

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Related parties *(continued)*

(b) *(continued)*

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

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

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

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

Investment properties

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

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

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

Non-current assets and disposal groups held for sale

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Non-current assets and disposal groups held for sale *(continued)*

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss (continued)

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments (continued)

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

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments (continued)

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Financial liabilities *(continued)*

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Properties held for sale under development and properties held for sale

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Income tax *(continued)*

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or difference taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

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

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

(b) from the rendering of services, when the services are rendered;

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

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

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

(f) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 30 to the financial statements.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Other employee benefits

Pension schemes

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.8% (2017: 6.5%) has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES *(continued)*

Foreign currencies

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

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Impairment of non-current assets

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

Estimation uncertainty

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

Estimation of fair value of investment properties

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

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

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

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

The carrying amount of investment properties at 31 March 2018 was HK$1,031,125,000 (2017: HK$887,841,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Estimation of net realisable values of properties held for sale under development and properties held for sale

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices. Particulars of the properties held for sale under development and properties held for sale of the Group are set out in note 19 to the financial statements.

Land appreciation tax

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

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

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

Estimation uncertainty *(continued)*

Estimates regarding the realisability of deferred tax assets

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

Impairment of accounts receivable

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

Segment assets exclude investments in associates, other unallocated head office and corporate assets, and assets of a disposal group classified as held for sale, as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, and liabilities directly associated with the assets classified as held for sale, as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2018

	Property development and investment business HK$'000	Others HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	164,422	26,361	190,783
Other income and gains	14,702	423	15,125
	179,124	26,784	205,908
Segment results			
Operating profit/(loss)	71,240	(9,171)	62,069
Reconciliation:			
Interest income			3,323
Dividend income			850
Fair value gain on an equity investment at fair value through profit or loss			181
Unallocated expenses			(7,926)
Finance costs			(3,935)
Share of profits and losses of associates			8,671
Profit before tax from continuing operations			63,233
Segment assets	2,415,966	40,990	2,456,956
Reconciliation:			
Investments in associates			118,352
Corporate and other unallocated assets			228,897
Total assets			2,804,205

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2018 *(continued)*

	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment liabilities	**901,499**	**4,506**	**906,005**
Reconciliation:			
Corporate and other unallocated liabilities			**248,396**
Total liabilities			**1,154,401**
Other segment information:			
Fair value gain on investment properties	**(53,935)**	**–**	**(53,935)**
Loss on disposal of items of property, plant and equipment	**–**	**21**	**21**
Impairment/(reversal of impairment) of other receivables	**(735)**	**2,127**	**1,392**
Reversal of provision for inventories	**–**	**(138)**	**(138)**
Reversal of impairment of properties held for sale	**(1,180)**	**–**	**(1,180)**
Depreciation	**7,983**	**2,515**	**10,498**
Capital expenditure*	**739**	**60**	**799**

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2017

	Property development and investment business HK$'000	Others HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	168,400	31,283	199,683
Other income and gains	13,165	1,001	14,166
	181,565	32,284	213,849
Segment results			
Operating profit	54,969	1,465	56,434
Reconciliation:			
Interest income			17,429
Dividend income			43
Fair value gain on an equity investment at fair value through profit or loss			530
Unallocated expenses			(13,062)
Finance costs			(24,799)
Share of profits and losses of associates			1,616
Profit before tax from continuing operations			38,191
Segment assets	2,226,190	25,337	2,251,527
Reconciliation:			
Investments in associates			98,260
Corporate and other unallocated assets			286,955
Assets of a disposal group classified as held for sale			146,316
Total assets			2,783,058

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2017 *(continued)*

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Hong Kong		Mainland China		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers and revenue from continuing operations	**11,378**	14,042	**179,405**	185,641	**190,783**	199,683

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

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**144,431**	153,581
Mainland China	**1,113,430**	951,518
	1,257,861	1,105,099

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2018 HK$'000	2017 HK$'000
Revenue		
Income from property development and investment business	**164,422**	168,400
Income from trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market	**26,361**	31,283
	190,783	199,683
Other income and gains		
Bank interest income	**3,323**	17,429
Fair value gain on an equity investment at fair value through profit or loss	**181**	530
Dividend income from available-for-sale investments	**739**	–
Dividend income from an equity investment at fair value through profit or loss	**111**	43
Gross rental income	**14,443**	11,540
Others	**682**	2,626
	19,479	32,168

6. PROFIT BEFORE TAX

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

	Notes	2018 HK$'000	2017 HK$'000
Cost of properties sold		**121,291**	117,278
Cost of inventories sold and services provided		**21,068**	20,372
Provision/(reversal of provision) for inventories, included in cost of inventories sold and services provided above		**(138)**	304
Auditor's remuneration		**1,600**	1,455
Depreciation		**10,498**	9,036
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**3,496**	3,205
Minimum lease payments under operating leases on land and buildings		**3,450**	498
Rental income on investment properties less direct operating expenses of HK$3,496,000 (2017: HK$3,205,000)		**(22,954)**	(22,516)
Rental income on other properties less direct operating expenses of HK$1,650,000 (2017: HK$1,434,000)		**(12,793)**	(10,106)
Employee benefit expense (including directors' and chief executive's remuneration – note 8):			
Wages, salaries, bonuses and allowances		**23,953**	25,967
Pension schemes contributions*		**436**	396
Equity-settled share option expenses	*30*	**52**	1,300
Less: Amount capitalised		**(3,913)**	(2,493)
		20,528	25,170
Fair value gain on investment properties, net:			
Classified as investment properties		**(47,215)**	(34,713)
Classified as assets of a disposal group classified as held for sale		**(6,720)**	–
		(53,935)	(34,713)
Gain on disposal of subsidiaries^	*33(a)*	**(6,214)**	–
Loss on disposal of items of property, plant and equipment^		**21**	355
Impairment of accounts receivable^	*21*	**–**	651
Impairment of other receivables, net^	*22*	**1,392**	10,096
Reversal of impairment of properties held for sale^		**(1,180)**	(12,650)
Foreign exchange differences, net^		**713**	(1,476)

* At 31 March 2018, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2017: Nil).

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

7. FINANCE COSTS

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

	2018	2017
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**46,896**	67,222
Less: Interest capitalised	**(42,961)**	(42,423)
	3,935	24,799

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2018	2017
	HK$'000	*HK$'000*
Fees	**360**	360
Other emoluments:		
Salaries, bonuses and allowances*	**5,199**	7,186
Equity-settled share option expenses	**20**	452
Pension schemes contributions	**51**	46
	5,270	7,684
	5,630	8,044

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

In the prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such options, which was recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year was included in the above directors' and chief executive's remuneration disclosures.

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

(a) Independent non-executive directors

	Fees	Equity-settled share option expenses	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
2018			
Dr. Ho Chung Tai, Raymond	**120**	**1**	**121**
Ir Siu Man Po	**120**	**1**	**121**
Mr. Siu Kam Chau	**120**	**1**	**121**
	360	**3**	**363**
2017			
Dr. Ho Chung Tai, Raymond	120	14	134
Ir Siu Man Po	120	14	134
Mr. Siu Kam Chau	120	14	134
	360	42	402

There were no other emoluments paid or payable to independent non-executive directors during the year (2017: Nil).

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

(b) Executive directors and chief executive

	Salaries, bonuses and allowances *HK$'000*	Pension scheme contributions *HK$'000*	Equity-settled share option expenses *HK$'000*	Total remuneration *HK$'000*
2018				
Mr. Lu Quanzhang	**300**	**–**	**2**	**302**
Mr. Tjia Boen Sien ("**Mr. Tjia**")*#	**2,775**	**–**	**1**	**2,776**
Mr. Wang Jing Ning	**1,332**	**18**	**7**	**1,357**
Mr. Tjia Wai Yip, William	**792**	**33**	**7**	**832**
	5,199	**51**	**17**	**5,267**
2017				
Mr. Lu Quanzhang	300	–	44	344
Mr. Tjia*#	5,082	–	14	5,096
Mr. Wang Jing Ning	1,100	18	176	1,294
Mr. Tjia Wai Yip, William	704	28	176	908
	7,186	46	410	7,642

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

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

\# This executive director of the Company is entitled to performance related bonus payment of HK$830,000 (2017: HK$3,200,000) which is determined with reference to the profit after tax of the Group.

9. FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT

The five highest paid employees during the year included three directors including the chief executive (2017: one director who is the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2017: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**1,782**	5,747
Pension schemes contributions	**44**	125
Equity-settled share option expenses	**10**	397
	1,836	6,269

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

	Number of employees	
	2018	2017
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	3
HK$1,500,000 to HK$2,000,000	**–**	1
	2	4

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

	2018	2017
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**843**	808
Pension schemes contributions	**34**	33
Equity-settled share option expenses	**3**	79
	880	920

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during the year or the Group's subsidiaries had available tax losses brought forward from previous years to offset the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	2018	2017
	HK$'000	*HK$'000*
Current – Elsewhere		
Charge for the year	**13,749**	4
Overprovision in prior years	**(220)**	(2,059)
Withholding tax for gain on disposal of subsidiaries	**4,835**	–
Deferred	**14,248**	8,137
LAT in Mainland China	**(16,414)**	28,987
Total tax charge for the year from continuing operations	**16,198**	35,069

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

	2018	2017
	HK$'000	*HK$'000*
Profit before tax from continuing operations	**63,233**	38,191
Tax at the applicable statutory tax rates	**17,150**	11,831
Adjustment in respect of current tax of previous period	**(220)**	(2,059)
Profits and losses attributable to associates	**(1,431)**	(267)
Income not subject to tax	**(4,473)**	(12,292)
Expenses not deductible for tax	**6,228**	2,040
Effect of withholding tax at 10% or 5% on the distributable profits of the Group's PRC subsidiaries	**764**	(542)
Effect of withholding tax for gain on disposal of subsidiaries	**4,835**	–
Tax losses utilised from previous periods	**(577)**	(302)
Tax losses and temporary differences not recognised	**10,491**	7,720
LAT	**(16,414)**	28,987
Others	**(155)**	(47)
Tax charge at the Group's effective rate of 25.6% (2017: 91.8%)	**16,198**	35,069

The share of tax charge attributable to associates amounting to HK$54,000 (2017: HK$1,176,000) is included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

11. DIVIDEND

	2018	2017
	HK$'000	*HK$'000*
Proposed final – HK0.5 cent (2017: HK0.5 cent) per ordinary share	**4,890**	4,890

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

12. DISCONTINUED OPERATIONS

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

The results of the discontinued operations for the year ended 31 March 2017 are presented below:

	HK$'000
Revenue	917,804
Cost of sales	(815,150)
Other income and gains	1,181
Fair value gain on investment properties	748
Administrative expenses	(30,261)
Other operating expenses, net	(843)
Finance costs	(2,955)
Profit from the discontinued operations	70,524
Gain on disposal of the DCIHL Group	106,373
Profit before tax from the discontinued operations	176,897
Income tax expense	(2,034)
Profit for the year from the discontinued operations	174,863

12. DISCONTINUED OPERATIONS *(continued)*

The net cash flows incurred by the DCIHL Group for the year ended 31 March 2017 are as follows:

	HK$'000
Operating activities	10,628
Investing activities	(2,975)
Financing activities	19,754
Net cash inflow	27,407
Earnings per share:	
Basic, from the discontinued operations	HK14.48 cents
Diluted, from the discontinued operations	HK14.48 cents

The calculations of basic and diluted earnings per share for the year ended 31 March 2017 from the discontinued operations are based on:

Profit attributable to ordinary equity holders of the parent from the discontinued operations (note 13)	HK$141,630,000
Weighted average number of ordinary shares in issue during the year ended 31 March 2017 used in the basic earnings per share calculation (note 13)	977,880,400
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 13)	977,880,400

The carrying amounts of assets and liabilities of the DCIHL Group at the date of completion of the Placing are set out in note 33(b).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 977,880,400 (2017: 977,880,400) in issue during the year.

No adjustment was made to the basic earnings per share amount presented for the years ended 31 March 2018 and 31 March 2017 as the impact of share options had an anti-dilutive effect on the basic earnings per share amount on 31 March 2018 and 31 March 2017.

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	**47,776**	3,304
From discontinued operations	**–**	141,630
Profit attributable to ordinary equity holders of the Company	**47,776**	144,934

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Tools and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 March 2018							
At 31 March 2017 and at 1 April 2017:							
Cost or valuation	213,081	6,817	1,065	2,536	1,193	1,185	225,877
Accumulated depreciation	–	(3,677)	(688)	(2,167)	(1,020)	(1,067)	(8,619)
Net carrying amount	213,081	3,140	377	369	173	118	217,258
At 1 April 2017, net of accumulated depreciation	213,081	3,140	377	369	173	118	217,258
Additions	–	–	–	87	–	712	799
Disposals	–	–	(1)	(20)	–	–	(21)
Surplus on revaluation	13,152	–	–	–	–	–	13,152
Depreciation provided during the year	(7,566)	(2,542)	(176)	(99)	(17)	(98)	(10,498)
Exchange realignment	5,783	182	28	25	15	13	6,046
At 31 March 2018	224,450	780	228	362	171	745	226,736
At 31 March 2018:							
Cost or valuation	224,450	7,540	1,164	2,732	1,305	2,023	239,214
Accumulated depreciation	–	(6,760)	(936)	(2,370)	(1,134)	(1,278)	(12,478)
Net carrying amount	224,450	780	228	362	171	745	226,736

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

	Leasehold land and buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Tools and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 March 2017							
At 1 April 2016:							
Cost or valuation	216,780	3,600	3,131	5,948	2,746	4,255	236,460
Accumulated depreciation	–	(2,514)	(2,357)	(4,674)	(2,513)	(3,120)	(15,178)
Net carrying amount	216,780	1,086	774	1,274	233	1,135	221,282
At 1 April 2016, net of accumulated depreciation	216,780	1,086	774	1,274	233	1,135	221,282
Additions	–	3,989	104	247	4	–	4,344
Assets included in a disposal group (note 32)	–	–	–	(27)	–	–	(27)
Disposals	–	(6)	–	(314)	–	(88)	(408)
Disposal of subsidiaries (note 33(b))	(18,300)	(15)	(198)	(412)	(22)	(782)	(19,729)
Surplus on revaluation	25,034	–	–	–	–	–	25,034
Depreciation provided during the year	(7,232)	(1,813)	(274)	(363)	(32)	(130)	(9,844)
Exchange realignment	(3,201)	(101)	(29)	(36)	(10)	(17)	(3,394)
At 31 March 2017	213,081	3,140	377	369	173	118	217,258
At 31 March 2017:							
Cost or valuation	213,081	6,817	1,065	2,536	1,193	1,185	225,877
Accumulated depreciation	–	(3,677)	(688)	(2,167)	(1,020)	(1,067)	(8,619)
Net carrying amount	213,081	3,140	377	369	173	118	217,258

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Peak Vision Appraisals Limited, an independent professionally qualified valuer, at an aggregate open market value of HK$224,450,000 (2017: HK$213,081,000) based on their existing use.

A revaluation surplus of HK$13,152,000 (2017: HK$25,034,000) resulting from the revaluation has been credited to other comprehensive income.

As at 31 March 2018, certain leasehold land and buildings of the Group with an aggregate carrying amount of HK$205,450,000 (2017: HK$141,100,000) were pledged to secure certain banking facilities granted to the Group (note 27).

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

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

Fair value hierarchy

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

	Fair value measurement as at 31 March 2018 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement for:				
Properties held for own use	**–**	**–**	**224,450**	**224,450**

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

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

	2018	2017
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**213,081**	216,780
Surplus on revaluation recognised in other comprehensive income	**13,152**	25,034
Depreciation	**(7,566)**	(7,232)
Disposal of subsidiaries	**–**	(18,300)
Exchange realignment	**5,783**	(3,201)
Carrying amount at end of year	**224,450**	213,081

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

Fair value hierarchy *(continued)*

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

	Valuation techniques	Significant unobservable inputs	Range	
			2018	2017
Properties held for own use	Direct comparison approach	Market unit sale price (per square foot)	**HK$1,691 to HK$6,790**	HK$2,340 to HK$6,670
	Discounted cash flow approach	Discounted rate	**N/A**	11.04%
		Stabilised growth rate	**N/A**	3%

The direct comparison approach

Under the direct comparison approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

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

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

The discounted cash flow approach

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

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

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

15. INVESTMENT PROPERTIES

	2018	2017
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**887,841**	1,056,900
Net gain from fair value adjustment recognised in statement of profit or loss	**47,215**	35,461
Disposal of subsidiaries (note 33(b))	**–**	(10,961)
Assets included in a disposal group (note 32)	**–**	(131,532)
Exchange realignment	**96,069**	(62,027)
Carrying amount at end of year	**1,031,125**	887,841

The Group's investment properties were revalued on 31 March 2018 based on valuations performed by Peak Vision Appraisals Limited, an independent professionally qualified valuer, at HK$1,031,125,000 (2017: HK$887,841,000).

As at 31 March 2018, certain investment properties of the Group with an aggregate carrying amount of HK$597,500,000 (2017: HK$526,580,000) were pledged to secure certain banking facilities granted to the Group (note 27).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

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

Particulars of the Group's investment properties are included on page 28.

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

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

	Fair value measurement as at 31 March 2018 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement for:				
Hotel properties	**–**	**–**	**193,375**	**193,375**
Commercial properties	**–**	**–**	**837,750**	**837,750**
	–	**–**	**1,031,125**	**1,031,125**

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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

	Hotel properties *HK$'000*	**Commercial properties** *HK$'000*
Carrying amount at 1 April 2016	288,000	768,900
Net gain from a fair value adjustment recognised in the statement of profit or loss	19,764	15,697
Assets included in a disposal group (note 32)	(131,532)	–
Disposal of subsidiaries (note 33(b))	–	(10,961)
Exchange realignment	(16,902)	(45,125)
Carrying amount at 31 March 2017 and 1 April 2017	**159,330**	**728,511**
Net gain from a fair value adjustment recognised in the statement of profit or loss	**17,125**	**30,090**
Exchange realignment	**16,920**	**79,149**
Carrying amount at 31 March 2018	**193,375**	**837,750**

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	**Significant unobservable inputs**	**Range** **2018**	2017
Hotel properties and commercial properties	Investment method	Estimated rental value (per square metre and per month)	**RMB38 to RMB129**	RMB38 to RMB123
		Term yield	**2.00% to 6.25%**	2.00% to 6.25%
		Reversionary yield	**5.75% to 7.25%**	6.00% to 7.25%
Car park spaces	Direct comparison approach	Market unit selling price	**RMB280,000**	RMB280,000

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

The investment method

Under the investment method, fair value is estimated on the basis of capitalisation of existing rent receivable from the existing tenancies and the potential reversionary market rent of the properties.

The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the estimated rental value and reversionary yield, while it takes into account the rental value generated from the existing lease term to arrive at the term yield.

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

The direct comparison approach

Under the direct comparison approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per square foot.

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

16. INVESTMENTS IN ASSOCIATES

	2018	2017
	HK$'000	*HK$'000*
Share of net assets	**39,441**	33,571
Loan to an associate	**14,222**	–
Goodwill on acquisition	**64,689**	64,689
	118,352	98,260
Amounts due from associates	**576**	356
Amounts due to associates	**(5,258)**	(5,549)

16. INVESTMENTS IN ASSOCIATES *(continued)*

The loan to an associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, this loan is considered as part of the Group's net investments in associates.

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

Particulars of the principal associates are as follows:

Name	**Issued ordinary/ registered share capital**	**Place of incorporation/ registration and business**	**Percentage of ownership attributable to the Group**		**Principal activities**
			2018	2017	
Asia Construction Holdings Limited	HK$980,000	Hong Kong	**49**	49	Investment holding
Deson Metals Company Limited*	HK$2,000,000	Hong Kong/ Mainland China	**40**	40	Trading of construction materials
Deson Construction International Holdings Limited	HK$25,000,000	The Cayman Islands/ Hong Kong	**31.18**	31.18	Investment holding
Beijing Chang De Architectural & Decoration Co., Ltd.(a)*	RMB16,000,000	PRC/ Mainland China	**18.71** (iii)	18.71	Decoration engineering
Deson Development Limited	HK$20,000,100 (Class A) (i) HK$20,000,000 (Class B) (i)	Hong Kong	**31.18**	31.18	Construction contracting and investment holding
Deson Engineering Limited	HK$10,000	Hong Kong	**31.18**	31,18	Decoration engineering
Deson Industries Limited*	US$1	BVI/ Hong Kong	**31.18**	31.18	Investment holding
Kenworth Engineering Limited	HK$54,374,140 (Ordinary) HK$20,000,000 (Preference) (ii)	Hong Kong	**31.18**	31.18	Provision of electrical and mechanical engineering services and investment in securities
上海迪申建築裝潢有限公司(b)*	US$900,000	PRC/ Mainland China	**31.18**	31.18	Decoration engineering
New Leaves Limited*	US$100	BVI/Hong Kong	**30**	–	Investment holding

16. INVESTMENTS IN ASSOCIATES *(continued)*

Name	Issued ordinary/ registered share capital	Place of incorporation/ registration and business	Percentage of ownership attributable to the Group 2018	2017	Principal activities
Yew Siang Limited(iv)*	US$11,700,000	BVI/ Hong Kong	**30**	–	Investment holding
Hua Sheng International Real Estate Development (Shanghai) Co., Ltd.(b)(iv)*	US$6,400,000	PRC/ Mainland China	**30**	–	Property development

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

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

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

Notes:

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

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

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

(iv) Upon the completion of the disposal of 70% effective equity interest in Yew Siang on 15 January 2018 as further set out in note 33(a) to the financial statements, the Yew Siang Group has become associates of the Group.

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

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

The Group has discontinued the recognition of its share of losses of certain associates because it exceeded the Group's interests in these associates and the Group has no obligation to take up further losses. The Group's aggregate unrecognised share of profits for the current year and share of accumulated losses of these associates amounted to HK$61,000 (2017: HK$251,000) and HK$1,404,000 (2017: HK$1,465,000), respectively.

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

16. INVESTMENTS IN ASSOCIATES *(continued)*

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

	2018	2017
	HK$'000	*HK$'000*
Current assets	**382,605**	340,659
Non-current assets	**20,567**	30,690
Current liabilities	**(238,408)**	(240,345)
Non-current liabilities	**(29,423)**	(28,473)
Net assets	**135,341**	102,531
Reconciliation to the Group's interest in the DCIHL Group:		
Proportion of the Group's ownership	**31.18%**	31.18%
The Group's share of net assets of the DCIHL Group	**42,199**	31,969
Goodwill on acquisition	**64,689**	64,689
Carrying amount of the investment	**106,888**	96,658
Revenue	**792,010**	917,804
Profit for the year	**28,742**	66,774
Other comprehensive income/(loss)	**4,068**	(149)
Total comprehensive income for the year	**32,810**	66,625
Fair value of the Group's investment	**57,683**	96,658

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

	2018	2017
	HK$'000	*HK$'000*
Share of the associates' profit/(loss) for the year	**(290)**	1,616
Share of the associates' other comprehensive loss	**–**	(2,801)
Share of the associates' total comprehensive loss	**(290)**	(1,185)
Aggregate carrying amount of the Group's investments in the associates that are not individually material	**11,464**	1,602

17. AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	HK$'000	*HK$'000*
Unlisted equity investments, at cost	**11,550**	11,550
Advance to an investee	**16,521**	16,521
Impairment	**(6,430)**	(6,430)
	10,091	10,091
	21,641	21,641

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

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

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

Included in the above provision for impairment of an advance to an investee is a provision for individually impaired receivable of HK$6,430,000 (2017: HK$6,430,000) with a carrying amount before provision of HK$16,521,000 (2017: HK$16,521,000). The individually impaired advance to the investee is assessed that only a portion of the receivable is expected to be recovered.

18. DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and repayable on demand.

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

Name	31 March 2018 HK$'000	Maximum amount outstanding during the year HK$'000	31 March 2017 and 1 April 2017 HK$'000	Maximum amount outstanding during the year HK$'000	1 April 2016 HK$'000
Excel Win Limited	**3,288**	**3,288**	2,562	2,562	1,159
Fitness Concept Limited ("**FCL**")	**6**	**6**	–	–	–
海南海旭物聯網科技有限公司	**185**	**185**	–	–	–
上海美格菲健身中心有限公司	**–**	**–**	–	111	111
Deson City Development Limited	**–**	**33**	33	36	35
Deson New City Development (HK) Limited	**–**	**42**	42	42	42
	3,479		2,637		1,347

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

	2018 *HK$'000*	2017 *HK$'000*
Completed properties held for sale	**705,682**	605,884
Properties held for sale under development	**424,412**	470,088
	1,130,094	1,075,972
Properties held for sale under development – expected to be recovered: Within one year	**424,412**	470,088

As at 31 March 2018, certain completed properties held for sale under development and properties held for sale of the Group with an aggregate carrying amount of HK$230,958,000 (2017: HK$360,307,000) were pledged to secure certain banking facilities granted to the Group (note 27).

Particulars of the Group's properties held for sale under development and properties held for sale are included on page 27.

20. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Trading goods	8,195	8,444

21. ACCOUNTS RECEIVABLE

	2018	2017
	HK$'000	HK$'000
Accounts receivable	35,387	35,673
Impairment	(1,087)	(1,087)
	34,300	34,586

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An aging 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:

	2018	2017
	HK$'000	HK$'000
Current to 90 days	13,215	13,571
91 to 180 days	1,244	4,094
181 to 360 days	2,394	16,598
Over 360 days	17,447	323
Total	34,300	34,586

21. ACCOUNTS RECEIVABLE *(continued)*

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

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**1,087**	8,714
Impairment losses (note 6)	**–**	651
Amount written off as uncollectible	**–**	(2)
Disposal of subsidiaries	**–**	(8,276)
At end of year	**1,087**	1,087

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$1,087,000 (2017: HK$1,087,000) with a carrying amount before provision of HK$1,087,000 (2017: HK$1,087,000). The individually impaired accounts receivable relate to customers that were in financial difficulties or customers that were in default in repayments and the receivables were not expected to be recovered.

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

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**13,175**	13,109
Less than 3 months past due	**1,186**	6,007
3 to 6 months past due	**454**	14,943
More than 6 months past due	**19,485**	527
	34,300	34,586

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Prepayments	**18,894**	16,710
Deposits	**342**	723
	19,236	17,433
Other receivables	**31,221**	35,342
Impairment	**(19,519)**	(17,330)
	11,702	18,012
	30,938	35,445

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

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

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**17,330**	11,500
Impairment losses, net (note 6)	**1,392**	10,096
Disposal of subsidiaries	**–**	(3,614)
Exchange realignment	**797**	(652)
At end of year	**19,519**	17,330

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

23. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	*HK$'000*
Listed equity investment, at market value	**4,510**	4,329

The above equity investment at 31 March 2018 and 2017 was classified as held for trading and was, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The market value of the Group's listed equity investment at the date of approval of these financial statements was approximately HK$4,377,000.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018	2017
	HK$'000	*HK$'000*
Cash and bank balances	**68,259**	67,073
Time deposits	**126,000**	182,900
	194,259	249,973
Less: Pledged deposits for banking facilities (note 27)	**(126,000)**	(182,900)
Cash and cash equivalents	**68,259**	67,073

At the end of the reporting period, the aggregate cash and bank balances and deposits of the Group denominated in RMB amounted to approximately HK$145,371,000 (2017: approximately HK$178,251,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. ACCOUNTS PAYABLE

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

	2018	2017
	HK$'000	*HK$'000*
Current to 90 days	**3,495**	1,221
91 to 180 days	**25**	–
181 to 360 days	**164**	39
Over 360 days	**8,569**	7,889
	12,253	9,149

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

26. OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Deposits received	**9,923**	19,854
Other payables	**290,615**	218,065
Accruals	**18,240**	16,552
	318,778	254,471

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Contractual interest rate (%) per annum	**Maturity**	**HK$'000**	Contractual interest rate (%) per annum	Maturity	HK$'000
Current						
Bank loans – secured	**3.7 to 6.5**	**2019**	**259,846**	4.3 to 9.0	2018	487,090
Other borrowings	**9.5 to 9.6**	**2019**	**11,875**	9.5 to 12.0	2018	25,888
			271,721			512,978
Non-current						
Bank loans – secured	**6.37**	**2019 to 2026**	**235,241**	7.67 to 8.2	2018 to 2023	182,495
Other borrowings	**9.5**	**2019**	**105,000**	9.5	2019	94,920
			340,241			277,415
			611,962			790,393

	2018	2017
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**259,846**	487,090
In the second year	**32,057**	69,495
In the third to fifth years	**93,809**	84,750
Beyond five years	**109,375**	28,250
	495,087	669,585
Other borrowings, repayable:		
Within one year or on demand	**11,875**	25,888
In the second year	**105,000**	94,920
	116,875	120,808
	611,962	790,393

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

Except for secured bank loans of HK$479,562,000 (2017: HK$619,585,000) and unsecured other borrowings of HK$116,875,000 (2017: HK$120,808,000) which are denominated in RMB, all remaining borrowings are denominated in Hong Kong dollars.

The Group's banking facilities are secured by:

(i) the pledge of certain of the Group's leasehold land and buildings situated in Hong Kong and the PRC of HK$205,450,000 (2017: HK$141,100,000) (note 14);

(ii) the pledge of certain of the Group's investment properties situated in the PRC of HK$597,500,000 (2017: HK$526,580,000) (note 15);

(iii) the pledge of certain of the Group's properties held for sale and properties held for sale under development situated in the PRC of HK$230,958,000 (2017: HK$360,307,000) (note 19); and

(iv) the pledge of the Group's time deposits of HK$126,000,000 (2017: HK$182,900,000) (note 24).

In addition, certain banking facilities are secured by corporate guarantees executed by the Company as at 31 March 2018. In the prior year, certain banking facilities were also securities by guarantees from a director of the Company and a director of a subsidiary.

28. DEFERRED TAX

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

	2018		
	Revaluation of properties HK$'000	**Withholding taxes HK$'000**	**Total HK$'000**
At beginning of year	**135,806**	**11,181**	**146,987**
Deferred tax charged to the statement of profit or loss during the year	**11,804**	**764**	**12,568**
Deferred tax charged to the statement of comprehensive income during the year	**2,610**	**–**	**2,610**
Exchange realignment	**7,626**	**–**	**7,626**
At end of year	**157,846**	**11,945**	**169,791**

28. DEFERRED TAX *(continued)*

	2017			
	Accelerated/ (decelerated) tax depreciation HK$'000	Revaluation of properties HK$'000	Withholding taxes HK$'000	Total HK$'000
At beginning of year	(1,775)	162,315	12,059	172,599
Deferred tax charged/(credited) to the statement of profit or loss during the year	(279)	8,865	(692)	7,894
Deferred tax charged to the statement of comprehensive income during the year	–	4,630	–	4,630
Disposal of subsidiaries (note 33(b))	2,347	(5,034)	(186)	(2,873)
Liabilities included in a disposal group (note 32)	–	(29,510)	–	(29,510)
Exchange realignment	(293)	(5,460)	–	(5,753)
At end of year	–	135,806	11,181	146,987

The Group has estimated tax losses arising in Hong Kong of approximately HK$120,122,000 (2017: HK$108,216,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK$20,944,000 (2017: HK$13,938,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries with uncertain future operating profit streams.

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

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

29. SHARE CAPITAL

Shares

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 ordinry shares of HK$0.10 each	**150,000**	150,000
Issued and fully paid:		
977,880,400 ordinary shares of HK$0.10 each	**97,788**	97,788

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

On 13 August 2012, the share option scheme of the Company adopted on 14 August 2002 ceased to operate and a new share option scheme (the "**Scheme**") was adopted on 15 August 2012 to comply with the requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. There was no outstanding share option under the old scheme upon its cessation.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, the Company's shareholders and other employees of the Group. The Scheme became effective on 15 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Group at the adoption date of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

30. SHARE OPTION SCHEME *(continued)*

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and will expire on the last date of such period.

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

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

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

	2018		2017	
	Weighted average exercise price	**Number of options**	Weight average exercise price	Number of options
	HK$	***'000***	*HK$*	*'000*
At beginning of year	**0.71**	**30,000**	0.71	39,420
Expired during the year	**0.71**	**(15,260)**	0.71	(9,420)
At end of year	**0.71**	**14,740**	0.71	30,000

During the year, 15,260,000 (2017: 9,420,000) share options expired and the corresponding share option reserve of HK$2,310,000 (2017: HK$1,333,000) was released to retained profits. No share options were exercised for the year ended 31 March 2018 (2017: Nil).

2018

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

2017

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

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

30. SHARE OPTION SCHEME *(continued)*

During the year, the Group recognised a share option expense of HK$52,000 (2017: HK$1,300,000) (note 6).

At the end of the reporting period, the Company had 14,740,000 (2017: 30,000,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 14,740,000 additional ordinary shares of the Company and additional share capital of HK$1,474,000 (2017: HK$3,000,000) and share premium of HK$8,991,400 (2017: HK$18,300,000) (before share issue expenses).

At the date of approval of these financial statements, the Company had no share options outstanding under the Scheme.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 55 and 56 of the financial statements.

32. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In the prior year, on 30 September 2016, the Company and Deson Ventures Limited ("**DVL**"), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of 70% effective equity interest in Yew Siang, a subsidiary of DVL. The Yew Siang Group is mainly engaged in property investment in the Mainland China. As at 31 March 2017, one of the default terms in the sale and purchase agreement was not fulfilled, the Yew Siang Group was classified as a disposal group held for sale.

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

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

32. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

During the year, the disposal of 70% effective equity interest in Yew Siang was completed on 15 January 2018. Details of the disposal of the Yew Siang Group are disclosed in note 33(a) to the financial statements. Since then, the Yew Siang Group has become associates of the Group (note 16).

33. DISPOSAL OF SUBSIDIARIES

(a) Yew Siang

As disclosed in note 32 to the financial statements, the Company and DVL entered into a sale and purchase agreement for the disposal of 70% effective equity interest in Yew Siang. Upon the completion of the disposal of Yew Siang on 15 January 2018, the Yew Siang Group has ceased to be subsidiaries of the Group and has become associates of the Group. The net assets of the Yew Siang Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	27
Investment properties	146,400
Properties held for sale	563
Prepayments, deposits and other receivables	15,158
Cash and cash equivalents	654
Tax payable	(38,952)
Deferred tax liabilities	(33,018)
	90,832
Exchange fluctuation reserve	3,281
	94,113
Gain on disposal of subsidiaries	6,214
	100,327
Satisfied by:	
Cash and cash equivalents	90,175
Interests in associates	10,152
	100,327

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

	HK$'000
Cash consideration	90,175
Cash and cash equivalents disposed of	(654)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	89,521

33. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) DCIHL

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

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

33. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) DCIHL *(continued)*

	HK$'000
Satisfied by:	
Cash and cash equivalents	60,000
Investments in associates	96,658
	156,658

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

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

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings *HK$'000*
At 1 April 2017	**790,393**
Changes from financing cash flows	**(244,592)**
Foreign exchange movement	**66,161**
At 31 March 2018	**611,962**

35. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessor

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

At 31 March 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**40,481**	35,732
In the second to fifth years, inclusive	**105,458**	106,800
After five years	**176,003**	179,382
	321,942	321,914

No contingent rental receivable was recognised by the Group during the year (2017: Nil).

(b) The Group as lessee

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

At 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**570**	379
In the second to fifth years, inclusive	**1,339**	1,468
After five years	**–**	244
	1,909	2,091

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2018** **HK$'000**	2017 HK$'000
Management fee received from a related company	(i)	**55**	55
Management fee to an associate	(ii)	**73**	–
Rental income from related companies	(iii)	**306**	359
Rental income from an associate	(iv)	**1,716**	–

Notes:

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

(ii) The management fee was charged by reference to actual costs incurred for services provided by an associate.

(iii) During the year, rental income was charged to FCL at HK$26,000 (2017: HK$26,000) per month. Mr. Tjia is a director of and has beneficial interests in the Company and FCL, while Mr. Tjia Wai Yip, William is a director of the Company and FCL.

(iv) During the year, rental income was charged to Deson Development Limited at HK$143,000 (2017: Nil) per month as mutually agreed between the parties.

(b) Outstanding balances with related parties:

Details of the Group's balances with associates as at the end of the reporting period are included in note 16 to the financial statements.

Details of the Group's balances with related companies as at the end of the reporting period are included in note 18 to the financial statements.

(c) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors and chief executive of the Company. Details of their remuneration are disclosed in note 8 to the financial statements.

The related party transactions above also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

2018

Financial assets

	Financial assets at fair value through profit or loss *HK$'000*
Equity investment at fair value through profit or loss	4,510

	Loans and receivables *HK$'000*	Available-for-sale investments *HK$'000*	Total *HK$'000*
Available-for-sale investments	–	21,641	21,641
Due from associates	576	–	576
Due from related companies	3,479	–	3,479
Accounts receivable	34,300	–	34,300
Financial assets included in prepayments, deposits and other receivables (note 22)	12,044	–	12,044
Pledged deposits	126,000	–	126,000
Cash and cash equivalents	68,259	–	68,259
	244,658	21,641	266,299

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Accounts payable	12,253
Financial liabilities included in other payables and accruals	307,126
Due to associates	5,258
Interest-bearing bank and other borrowings	611,962
	936,599

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2017

Financial assets

	Financial assets at fair value through profit or loss *HK$'000*
Equity investment at fair value through profit or loss	4,329

	Loans and receivables *HK$'000*	Available-for-sale investments *HK$'000*	Total *HK$'000*
Available-for-sale investments	–	21,641	21,641
Due from associates	356	–	356
Due from related companies	2,637	–	2,637
Accounts receivable	34,586	–	34,586
Financial assets included in prepayments, deposits and other receivables (note 22)	18,735	–	18,735
Pledged deposits	182,900	–	182,900
Cash and cash equivalents	67,073	–	67,073
	306,287	21,641	327,928

Financial liabilities

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

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Equity investments at fair value through profit or loss				
– Held for trading	**4,510**	4,329	**4,510**	4,329
Financial liabilities				
Interest-bearing bank and other borrowings	**356,525**	305,665	**356,525**	305,665

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

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of listed equity investment is based on quoted market prices.

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

The Group did not have any financial liabilities measured at fair value as at 31 March 2018 and 31 March 2017.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 March 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Equity investment at fair value through profit or loss	**4,510**	**–**	**–**	**4,510**

As at 31 March 2017

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

As at 31 March 2018, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank and other borrowings of HK$356,525,000 (2017: HK$305,665,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 27 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans and overdrafts, other interest-bearing loans, cash and cash equivalents, and short term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expense are charged to the consolidated statement of profit or loss as incurred.

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity* *HK$'000*
2018			
Hong Kong dollar	**100**	**(6,697)**	**–**
Hong Kong dollar	**(100)**	**6,697**	**–**
2017			
Hong Kong dollar	100	(11,164)	–
Hong Kong dollar	(100)	11,164	–

* Excluding retained profits

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

Foreign currency risk

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

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

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2018			
If Hong Kong dollar weakens against RMB	**5**	**(36,290)**	**–**
If Hong Kong dollar strengthens against RMB	**(5)**	**36,290**	**–**
2017			
If Hong Kong dollar weakens against RMB	5	(37,957)	–
If Hong Kong dollar strengthens against RMB	(5)	37,957	–

* Excluding retained profits

Credit risk

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable, deposits and other receivables are disclosed in notes 21 and 22 to the financial statements, respectively.

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

Liquidity risk

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

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

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

		2018	
	On demand or less than 12 months	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Accounts payable	**12,253**	**–**	**12,253**
Financial liabilities included in other payables and accruals	**307,126**	**–**	**307,126**
Due to associates	**5,258**	**–**	**5,258**
Interest-bearing bank and other borrowings	**302,557**	**462,309**	**764,866**
	627,194	**462,309**	**1,089,503**

		2017	
	On demand or less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*
Accounts payable	9,149	–	9,149
Financial liabilities included in other payables and accruals	232,888	–	232,888
Due to associates	5,549	–	5,549
Interest-bearing bank and other borrowings	556,707	325,349	882,056
	804,293	325,349	1,129,642

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, other payables and accruals, amounts due to associates and interest-bearing bank and other borrowings, less pledged deposits, and cash and cash equivalents. Capital represents equity attributable to owners of the Company.

The gearing ratios as at the end of the reporting periods were as follows:

	2018	2017
	HK$'000	*HK$'000*
Accounts payable	**12,523**	9,149
Other payables and accruals	**318,778**	254,471
Due to associates	**5,258**	5,549
Interest-bearing bank and other borrowings	**611,962**	790,393
Less: Pledge deposits	**(126,000)**	(182,900)
Less: Cash and cash equivalents	**(68,259)**	(67,073)
Net debt	**754,262**	809,589
Total capital	**1,650,413**	1,456,593
Total capital and net debt	**2,404,675**	2,266,182
Gearing ratio	**31%**	36%

40. EVENT AFTER THE REPORTING PERIOD

On 5 May 2018, the Company, Honour Advance Limited ("**Honour Advance**"), a wholly-owned subsidiary of the Company, Hainan Kang Da Investment Co., Ltd. ("**Kang Da**"), an independent third party, and Hainan Fruitful Real Estate Development Limited ("**Hainan Fruitful**"), an independent third party, have entered into a framework agreement (the "**Framework Agreement**") in relation to the proposed disposal of certain of the Group's properties held for sale and investment properties located in Haikou City, Hainan Province, the PRC to Kang Da, through the disposal of 72% effective equity interest of 江裕置業(海南)有限公司, a wholly-owned subsidiary of Honour Advance, to Kang Da at a total consideration of RMB75 million (equivalent to approximately HK$90 million).

In addition, the Company will procure one of its wholly-owned subsidiaries incorporated in Hong Kong to set up a wholly foreign-owned enterprise in the PRC (the "**Proposed Subsidiary**") with a total registered capital of RMB6 million (equivalent to approximately HK$7.2 million). The Proposed Subsidiary and Kang Da will set up a company to be registered in the PRC (the "**Proposed Associate**"), which will be owned beneficially as to 28% by the Group and 72% by Kang Da. The proposed total investment cost of the Proposed Associate will be RMB180 million (equivalent to approximately HK$216 million), of which RMB162 million (equivalent to approximately HK$194 million) will be the registered capital of the Proposed Associate.

The Proposed Associate will acquire the investment properties and properties held for sale for a consideration of approximately RMB180 million (equivalent to approximately HK$216 million). As Hainan Fruitful is the legal owner of the investment properties as stated in the certificates of property ownership, the consideration will be paid by Kang Da to Hainan Fruitful first, which will then be transferred to the Group. A down-payment of RMB20 million (equivalent to approximately HK$24 million) was paid by Kang Da to Hainan Fruitful after the end of the reporting period.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**585,467**	598,091
CURRENT ASSETS		
Due from a related company	**42**	42
Prepayments	**58**	55
Cash and cash equivalents	**172**	95
Total current assets	**272**	192
CURRENT LIABILITIES		
Accruals	**1,345**	1,319
Due to subsidiaries	**62,769**	62,766
Due to a related company	**7,549**	7,719
Total current liabilities	**71,663**	71,804
NET CURRENT LIABILITIES	**(71,391)**	(71,612)
Net assets	**514,076**	526,479
EQUITY		
Issued capital	**97,788**	97,788
Reserves (note)	**416,288**	428,691
Total equity	**514,076**	526,479

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2016	243,040	155,531	14,457	4,689	19,964	437,681
Loss for the year and total comprehensive loss for the year	–	–	–	–	(10,290)	(10,290)
Equity-settled share option arrangement	–	–	–	1,300	–	1,300
Share options expired	–	–	–	(1,333)	1,333	–
At 31 March 2017 and 1 April 2017	**243,040**	**155,531**	**14,457**	**4,656**	**11,007**	**428,691**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(7,565)**	**(7,565)**
Equity-settled share option arrangement	**–**	**–**	**–**	**52**	**–**	**52**
Share options expired	**–**	**–**	**–**	**(2,310)**	**2,310**	**–**
Final 2017 dividend paid	**–**	**–**	**–**	**–**	**(4,890)**	**(4,890)**
At 31 March 2018	**243,040**	**155,531**	**14,457**	**2,398**	**862**	**416,288**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation on 21 May 1997 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a distribution may be made out of the contributed surplus provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, issued share capital and share premium is less than the realisable value of its assets.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2018.