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Deson Development International Holdings Limited
迪臣發展國際集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 262)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

The board of directors (the “**Board**”) of Deson Development International Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2022 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 September 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 September 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
REVENUE	3	60,384	53,402
Cost of sales		<u>(30,869)</u>	<u>(26,911)</u>
Gross profit		29,515	26,491
Other income and gains	3	6,749	8,943
Administrative expenses		(34,021)	(33,871)
Other operating (expenses)/income, net		(202)	494
Fair value (loss)/gain on an equity investments at fair value through profit or loss		(65,578)	2,252
Finance costs	5	(12,226)	(12,971)
Share of profits and losses of associates, net		<u>384</u>	<u>387</u>
LOSS BEFORE TAX	4	(75,379)	(8,275)
Income tax credit/(expense)	6	<u>5,483</u>	<u>(807)</u>
LOSS FOR THE PERIOD		<u><u>(69,896)</u></u>	<u><u>(9,082)</u></u>

* *For identification purposes only*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(CONTINUED)**

For the six months ended 30 September 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		(69,317)	(8,347)
Non-controlling interests		(579)	(735)
		<u>(69,896)</u>	<u>(9,082)</u>
 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	<u>HK(4.73) cents</u>	(Restated) <u>HK(0.82) cent</u>
Diluted	8	<u>HK(4.73) cents</u>	<u>HK(0.82) cent</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LOSS FOR THE PERIOD	<u>(69,896)</u>	<u>(9,082)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(148,868)	25,631
Share of other comprehensive income of associates, net	<u>8</u>	<u>834</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(148,860)</u>	<u>26,465</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(218,756)</u>	<u>17,383</u>
Attributable to:		
Owners of the Company	(217,911)	18,067
Non-controlling interests	<u>(845)</u>	<u>(684)</u>
	<u>(218,756)</u>	<u>17,383</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	30 September	31 March
	2022	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	285,309	306,196
Investment properties	9 912,420	1,011,060
Investments in associates	10,113	9,838
Equity investments at fair value through profit or loss	10 164,220	<u>229,790</u>
Total non-current assets	<u>1,372,062</u>	<u>1,556,884</u>
CURRENT ASSETS		
Due from associates	2,815	2,399
Properties held for sale under development and properties held for sale	11 723,452	784,721
Inventories	3,732	6,221
Accounts receivable	12 11,841	16,590
Prepayments, deposits and other receivables	8,511	29,044
Tax recoverable	23,130	26,117
Pledged deposits	4,000	4,000
Cash and cash equivalents	24,654	<u>43,859</u>
Total current assets	<u>802,135</u>	<u>912,951</u>
CURRENT LIABILITIES		
Accounts payable	13 4,852	6,706
Other payables and accruals	69,343	110,313
Due to associates	2,650	2,650
Due to related companies	6,322	13,169
Tax payable	21,353	22,818
Interest-bearing bank and other borrowings	182,295	<u>263,324</u>
Total current liabilities	<u>286,815</u>	<u>418,980</u>
NET CURRENT ASSETS	<u>515,320</u>	<u>493,971</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,887,382</u>	<u>2,050,855</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2022

		30 September 2022	31 March 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		263,480	197,415
Deferred tax liabilities		170,137	181,336
		<hr/>	<hr/>
Total non-current liabilities		433,617	378,751
		<hr/>	<hr/>
Net assets		1,453,765	1,672,104
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	146,682	146,682
Reserves		1,313,117	1,531,028
		<hr/>	<hr/>
Non-controlling interests		1,459,799	1,677,710
		(6,034)	(5,606)
		<hr/>	<hr/>
Total equity		1,453,765	1,672,104
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Other reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Share option reserve	Retained profits	Total		
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 April 2021 (audited)	97,788	243,040	15,262	23,061	125,022	(9,240)	14,457	13,473	975	1,065,563	1,589,401	(2,979)	1,586,422
Loss for period	—	—	—	—	—	—	—	—	—	(8,347)	(8,347)	(735)	(9,082)
Other comprehensive income for the period:													
Share of other comprehensive income of associates	—	—	—	—	—	—	—	834	—	—	834	—	834
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	25,580	—	—	25,580	51	25,631
Total comprehensive income for the period	—	—	—	—	—	—	—	26,414	—	(8,347)	18,067	(684)	17,383
Equity-settled share option arrangement	—	—	—	—	—	—	—	—	46	—	46	—	46
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	612	612
Release of revaluation reserve	—	—	—	—	(2,611)	—	—	—	—	2,611	—	—	—
At 30 September 2021	<u>97,788</u>	<u>243,040</u>	<u>15,262</u>	<u>23,061</u>	<u>122,411</u>	<u>(9,240)</u>	<u>14,457</u>	<u>39,887</u>	<u>1,021</u>	<u>1,059,827</u>	<u>1,607,514</u>	<u>(3,051)</u>	<u>1,604,463</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2022

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Other reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Share option reserve	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2022 (audited)	146,682	240,853	15,262	23,061	124,603	(9,240)	14,457	77,341	925	1,043,766	1,677,710	(5,606)	1,672,104	
Loss for the period	—	—	—	—	—	—	—	—	—	(69,317)	(69,317)	(579)	(69,896)	
Other comprehensive income/(loss) for the period:														
Share of other comprehensive income of associates	—	—	—	—	—	—	—	8	—	—	8	—	8	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(148,602)	—	—	(148,602)	(266)	(148,868)	
Total comprehensive loss for the period	—	—	—	—	—	—	—	(148,594)	—	(69,317)	(217,911)	(845)	(218,756)	
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	417	417	
Release of revaluation reserve	—	—	—	—	(2,754)	—	—	—	—	2,754	—	—	—	
At 30 September 2022	<u>146,682</u>	<u>240,853*</u>	<u>15,262*</u>	<u>23,061*</u>	<u>121,849*</u>	<u>(9,240)*</u>	<u>14,457*</u>	<u>(71,253)*</u>	<u>925*</u>	<u>977,203*</u>	<u>1,459,799</u>	<u>(6,034)</u>	<u>1,453,765</u>	

* These reserve accounts comprise the consolidated reserves of HK\$1,313,117,000 (31 March 2022: HK\$1,531,028,000) in the interim condensed consolidated statement of financial position.

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments which have been measured at fair value. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2022.

The accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2022, except for the standards, amendments and interpretations to the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA applicable to the annual period beginning on 1 April 2022 as described below.

The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 April 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current period had no material impact on the Group’s financial position and performance for the current and prior periods and the disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective, in these condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (six months ended 30 September 2021: three) reportable operating segments as follows:

- (a) the property development and investment business segment is engaged in property development of residential and commercial properties and holding of investment properties;
- (b) the trading business segment is engaged in the trading of medical equipment and home security and automation products; and
- (c) the “others” segment comprises, principally, the operation of a hotel.

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/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax that bank interest income, dividend income, fair value gain on equity investments 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.

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.

Six months ended 30 September 2022

	Property development and investment business HK\$'000	Trading business HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue (note 3)				
Sales to external customers	23,878	32,176	4,330	60,384
Other income and gains	4,955	223	112	5,290
	<u>28,833</u>	<u>32,399</u>	<u>4,442</u>	<u>65,674</u>
Segment results				
Operating profit/(loss)	4,793	4,055	(2,558)	6,290
<u>Reconciliation:</u>				
Bank interest income				109
Dividend income from an equity investment at fair value through profit or loss				1,350
Fair value loss on equity investment at fair value through profit or loss				(65,578)
Finance costs				(12,226)
Share of profits and losses of associates, net				384
Unallocated expenses				<u>(5,708)</u>
Loss before tax				<u>(75,379)</u>
Other segment information:				
Reversal of provision for inventories	—	(99)	—	(99)
Depreciation of property, plant and equipment	3,675	375	2,387	6,437
Capital expenditure*	<u>13</u>	<u>26</u>	<u>29</u>	<u>68</u>

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

Six months ended 30 September 2021

	Property development and investment business <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (note 3)				
Sales to external customers	17,235	30,758	5,409	53,402
Other income and gains	<u>7,268</u>	<u>112</u>	<u>1</u>	<u>7,381</u>
	24,503	30,870	5,410	<u><u>60,783</u></u>
Segment results				
Operating profit/(loss)	3,463	4,693	(2,036)	6,120
<i>Reconciliation:</i>				
Bank interest income				62
Dividend income from an equity investment at fair value through profit or loss				1,500
Fair value gain on equity investments at fair value through profit or loss				2,252
Finance costs				(12,971)
Share of profits and losses of associates, net				387
Unallocated expenses				<u>(5,625)</u>
Loss before tax				<u><u>(8,275)</u></u>
Other segment information:				
Provision for inventories	—	36	—	36
Depreciation of property, plant and equipment	3,572	375	2,583	6,530
Capital expenditure*	<u>44</u>	<u>5</u>	<u>2,622</u>	<u>2,671</u>

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

Geographical information

(a) Revenue from external customers

	Hong Kong		Mainland China		Consolidated	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>29,316</u>	<u>23,070</u>	<u>31,068</u>	<u>30,332</u>	<u>60,384</u>	<u>53,402</u>

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

Information about a major customer

During the period, revenue of approximately HK\$9,458,000 (2021: HK\$7,588,000) was derived from rental income to a single customer of the property development and investment business segment.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers:</i>		
Income from property development and investment business	13,251	5,385
Income from trading of medical equipment and home security and automation products	32,176	30,758
Hotel operations	4,330	5,409
<i>Revenue from other sources:</i>		
Gross rental income	<u>10,627</u>	<u>11,850</u>
	<u>60,384</u>	<u>53,402</u>

(i) **Disaggregated revenue information**

For the six months ended 30 September 2022

	Property development and investment business <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographical markets				
Hong Kong	—	29,316	—	29,316
Mainland China	13,251	2,860	4,330	20,441
Total revenue from contracts with customers recognised at a point in time	<u>13,251</u>	<u>32,176</u>	<u>4,330</u>	<u>49,757</u>

For the six months ended 30 September 2021

	Property development and investment business <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographical markets				
Hong Kong	—	23,070	—	23,070
Mainland China	5,385	7,688	5,409	18,482
Total revenue from contracts with customers recognised at a point in time	<u>5,385</u>	<u>30,758</u>	<u>5,409</u>	<u>41,552</u>

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the income from property development and investment business are parts of contracts that originally were expected to have a duration of one year or less.

Sale of goods

The performance obligation is satisfied upon delivery of the products and payment is generally due ranging from 30 to 90 days from delivery.

Hotel operations

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services.

The performance obligation of food and beverage operations of the hotel is satisfied when the control of the food and beverage products is transferred, being at the point when the customer purchases the food and beverage items at the food and beverage operations. Payment of the transaction is due immediately at the point when the customer purchases the food and beverage items.

An analysis of other income and gains is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income and gains		
Bank interest income	109	62
Dividend income from an equity investment at fair value through profit or loss	1,350	1,500
Gross rental income from property, plant and equipment	3,297	2,896
Government grants*	374	—
Others	1,619	4,485
	<u>6,749</u>	<u>8,943</u>

- * The government grants are granted under the Employment Support Scheme of the Government of Hong Kong Special Administrative Region to retain employment and combat COVID-19. There are no unfulfilled conditions or contingencies relating to these grants.

4. LOSS BEFORE TAX

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

	2022	2021
	HK\$'000	HK\$'000
Cost of properties sold	5,155	3,848
Cost of inventories sold and services provided	25,714	23,063
(Reversal of provision)/provision for inventories, included in cost of inventories sold and services provided above	(99)	36
Depreciation of property, plant and equipment	6,437	6,530
Employee benefit expense (including directors' remuneration):		
Wages, salaries and allowances	19,014	17,930
Pension schemes contributions*	364	357
Equity-settled share option expense	—	46
Less: Amount capitalised	(816)	(921)
	18,562	17,412
Directors' remuneration:		
Fees	360	300
Salaries and allowances	5,952	4,524
Pension schemes contributions	54	50
	6,366	4,874
Loss on disposal of items of property, plant and equipment^	3	—
Impairment of accounts receivable^	11	—
Impairment of other receivables^	95	—
Foreign exchange differences, net^	93	(494)

* At 30 September 2022, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2022: Nil).

^ These amounts were included in "Other operating (expenses)/income, net" on the face of the interim condensed consolidated statement of profit or loss.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank loans and other borrowings	18,480	17,643
Less: Interest capitalised	<u>(6,254)</u>	<u>(4,672)</u>
	<u>12,226</u>	<u>12,971</u>

6. INCOME TAX

No provision of Hong Kong profits tax was made during six months ended 30 September 2022 as the Group's subsidiaries do not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries have available tax losses brought forward from prior years to offset the assessable profits generated during the period.

Hong Kong profits tax for the six months ended 30 September 2021 was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period except for one subsidiary of the Group which was a qualifying entity under the two-tiered profits tax regime effective from the year of assessment 2018/2019 and the first HK\$2,000,000 of assessable profits of this subsidiary were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%. Taxes on profits assessable elsewhere had 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 expenditure, including amortisation of land use rights, borrowing costs and all property development expenditures.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current — Elsewhere		
Charge for the period	—	282
LAT in Mainland China	580	360
Deferred	<u>(6,063)</u>	<u>165</u>
Total tax (credit)/charge for the period	<u>(5,483)</u>	<u>807</u>

7. DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 1,466,820,600 (30 September 2021: 1,014,098,193) in issue during the period.

The calculation of the basic and diluted loss per share amounts attributable to the owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	<u>(69,317)</u>	<u>(8,347)</u>
	2022	2021 (restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,466,820,600	1,014,098,193
Effect of dilution — weighted average number of ordinary shares: Share options*	<u>—</u>	<u>—</u>
	<u>1,466,820,600</u>	<u>1,014,098,193</u>

The basic and diluted loss per share for the year ended 30 September 2021 had been restated to reflect the effect of a rights issue of the Company.

* No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2022 and 2021 in respect of a dilution as the impact of share options outstanding during the period had no dilutive effect on the basic loss per share amounts presented.

9. INVESTMENT PROPERTIES

	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>
Carrying amount at beginning of period/year	1,011,060	1,041,350
Net loss from fair value adjustment	—	(73,253)
Exchange realignment	<u>(98,640)</u>	<u>42,963</u>
Carrying amount at end of period/year	<u>912,420</u>	<u>1,011,060</u>

The investment properties are leased to third parties under operating leases.

As at 30 September 2022, certain investment properties of the Group with an aggregate carrying amount of HK\$466,200,000 (31 March 2022: HK\$516,600,000) were pledged to secure certain banking facilities granted to the Group.

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2022 HK\$'000	31 March 2022 HK\$'000
Equity investments at fair value through profit or loss		
Unlisted equity investments, at fair value		
Century Rosy Limited	12,165	12,165
Deson Development International Holdings Investment Limited ("DDIHIL")	108,545	174,123
Excel Castle International Limited	39,995	39,995
Pamfleet Shanghai Real Estate Fund II, L.P.	3,515	3,507
	<u>164,220</u>	<u>229,790</u>

The above equity investments were irrevocably designated at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

During the six months ended 30 September 2022, the Group received dividend in the amount of HK\$1,350,000 (six months ended 30 September 2021: HK\$1,500,000) from DDIHIL.

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

	30 September 2022 HK\$'000	31 March 2022 HK\$'000
Completed properties held for sale	488,170	543,712
Properties held for sale under development	235,282	241,009
	<u>723,452</u>	<u>784,721</u>
Properties held for sale under development		
— expected to be recovered:		
Within one year	235,282	241,009

As at 30 September 2022, certain completed properties held for sale and properties held for sale under development of the Group with an aggregate carrying amount of HK\$147,852,000 (31 March 2022: HK\$163,836,000) were pledged to secure certain banking facilities granted to the Group.

12. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally ranging from 30 to 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 trade receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

	30 September 2022 HK\$'000	31 March 2022 HK\$'000
Within 90 days	8,856	11,634
91 to 180 days	1,519	551
181 to 360 days	1,167	2,741
Over 360 days	299	1,664
	<hr/>	<hr/>
Total	11,841	16,590
	<hr/> <hr/>	<hr/> <hr/>

13. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 September 2022 HK\$'000	31 March 2022 HK\$'000
Within 90 days	1,246	2,484
91 to 180 days	78	269
181 to 360 days	72	296
Over 360 days	3,456	3,657
	<hr/>	<hr/>
Total	4,852	6,706
	<hr/> <hr/>	<hr/> <hr/>

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

14. SHARE CAPITAL

	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>
Authorised:		
5,000,000,000 ordinary shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
1,466,820,600 ordinary shares of HK\$0.10 each	<u>146,682</u>	<u>146,682</u>

15. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Management fee income from a related company	(i)	27	27
Management fee income from associates	(i)	720	380
Rental income from a related company	(ii)	105	113
Rental income from an associate	(iii)	60	50
Management fee to a related company	(iv)	<u>180</u>	<u>210</u>

Notes:

- (i) The management fee was charged by reference to actual costs incurred for the services provided by the Group.
- (ii) Rental income was charged to Fitness Concept Limited (“FCL”) at HK\$17,500 (HK\$17,500 per month from May 2021 to September 2021 and HK\$25,500 per month in April 2021) in average. Mr. Tjia Boen Sien (“**Mr. Tjia**”) is a director and has beneficial interests in the Company and FCL, while Mr. Tjia Wai Yip, William is a director of the Company and FCL.
- (iii) Rental income was charged to an associate at HK\$10,000 (from 1 May 2021, rental income was charged to an associate at HK\$10,000 per month) per month as mutually agreed between the parties.
- (iv) The management fee was charged by reference to actual costs incurred for services provided by FCL by reference to the terms of agreement as agreed between both parties.
- (b) Outstanding balances with related parties:

The balances with associates, a related company and non-controlling shareholders are unsecured, interest-free and repayable on demand.

(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 the remuneration of the directors of the Company are disclosed in note 4 to the financial statements.

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

16. 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	
	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>
Financial assets				
Equity investments at fair value through profit or loss	<u>164,220</u>	<u>229,790</u>	<u>164,220</u>	<u>229,790</u>
Financial liabilities				
Interest-bearing bank and other borrowings (with non-current portion)	<u>291,230</u>	<u>228,165</u>	<u>291,230</u>	<u>228,165</u>

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

Management has assessed that the fair values of cash and cash equivalents, 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 to associates and a related company, and interest-bearing bank and other borrowings classified as current liabilities 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 values of unlisted equity investments have been estimated using market-based valuation techniques based on assumptions that are supported by observable market prices or rates. As at 30 September 2022 and 31 March 2022, certain unlisted equity investments carry out property redevelopment projects and the fair values of the properties under these projects are considered in the fair value assessment by the directors; while an unlisted investment carries a listed equity investment and its quoted market price is also considered in the fair value assessment by the directors. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then adjusted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. A discount for lack of marketability (“**DLOM**”) is applied in the fair value assessment, representing the amounts of premium and discounts determined by the Group that market participants would take into account when pricing the investments. The adjusted multiple is applied to the corresponding equity and earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The fair values of interest-bearing bank and other borrowings repayable beyond 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 30 September 2022 and 31 March 2022.

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 30 September 2022

	Fair value measurement using			Total <i>HK\$’000</i>
	Quoted prices in active markets (Level 1) <i>HK\$’000</i>	Significant observable inputs (Level 2) <i>HK\$’000</i>	Significant unobservable inputs (Level 3) <i>HK\$’000</i>	
Equity investments at fair value through profit or loss	—	—	164,220	164,220

As at 31 March 2022

	Fair value measurement using			Total <i>HK\$'000</i>
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	
Equity investments at fair value through profit or loss	—	—	229,790	229,790

As at 30 September 2022, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank and other borrowings with non-current portion of HK\$291,230,000 (31 March 2022: HK\$228,165,000). 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 Reporting Period, 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 (six months ended 30 September 2021: Nil).

17. EVENT AFTER THE REPORTING PERIOD

On 20 October 2022, a wholly-owned subsidiary of the Company, Honour Advance Limited (江裕有限公司) (“**Vendor 1**”) and Fanning Properties Limited (富海地產投資有限公司) (“**Vendor 2**”), a company which held a property for the benefit of the Group, as vendors (collectively, the “**Vendors**”), 海口市龍華區城市投資控股有限公司 (Haikou Longhua City Investment Holding Co., Ltd.) (“**Purchaser**”) as purchaser, 江裕置業(海南)有限公司 (“**Target Company 1**”) and 海南富迪商業管理有限公司 (“**Target Company 2**”) as target companies entered into a letter of intent (“**Letter of Intent**”) relating to the proposed disposal of (i) the entire equity interest in Target Company 1 by Vendor 1; and (ii) the entire equity interest in Target Company 2 by Vendor 2 (collectively, the “**Proposed Disposal**”) at the aggregate consideration of RMB385.0 million (equivalent to approximately HK\$442.8 million) which is payable in tranches by the Purchaser to the Vendors. The Letter of Intent is non-binding in nature and the terms and conditions of the Proposed Disposal are subject to further negotiations between the parties and the execution of formal definitive agreement by the relevant parties. Further announcement(s) will be issued by the Company for any update of the status of the Proposed Disposal when appropriate.

For further details, please refer to the Company's announcement dated 20 October 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's major business segments during the six months ended 30 September 2022 (the "Reporting Period") comprise:

- (a) the property development and investment business segment, which is engaged in property development of residential and commercial properties and the holding of investment properties;
- (b) the trading business segment, which is engaged in the trading of medical equipment and home security and automation products, including the provision of related installation; and
- (c) the "others" segment, which comprises, principally, the operation of a hotel.

The Group's revenue for the period ended 30 September 2022 recorded at approximately HK\$60,384,000 (six months ended 30 September 2021: HK\$53,402,000), representing an increase of approximately 13% compared with the corresponding period last year.

Property development and investment business

Challenges facing Mainland China in 2022 are immense. Resurgence of COVID-19 depressed industrial production as well as domestic consumption. Around the world, geopolitical tension continues to dominate the global agenda, while quantitative tightening, inflation and interest rate hikes tipping developed economies into recession pose additional challenges ahead. Global economic recovery remains elusive.

The Group's revenue for the Reporting Period from this segment was approximately HK\$23,878,000 (six months ended 30 September 2021: HK\$17,235,000), representing an increase of approximately 39% as compared with the corresponding period last year. The turnover from this segment mainly arose from sales of properties in the PRC and rental income from investment properties located in the PRC.

(i) Sales of properties

Revenue increased from approximately HK\$5,385,000 for the period ended 30 September 2021 to approximately HK\$13,251,000 for the Reporting Period, representing a significant increase of approximately 146%.

In the Reporting Period, sales were mainly contributed by the sales of certain remaining commercial units at World Expo Plaza in Kaifeng, the PRC ("World Expo"). Compared with corresponding period last year, just remaining residential units of World Expo were sold with smaller contract sums.

Dynamics of the residential property development market have shifted markedly against the developers. In addition, unwelcomed spurts of the pandemic drastically slowed down selling activities and also affected construction. In turn, illiquidity in the market magnified the funding pressure on the aggressively geared developers, which in turn weakened demand psychology in a vicious circle. Shanghai was locked down for two months and other cities were also directly or indirectly affected in various degrees at different times during 2022.

In Mainland China, COVID-19 was very much in check under strict preventive measures and concerted efforts taken by the central government. The central government had provided accommodative monetary policy and necessary fiscal stimulus to ensure economic recovery. During the period, the property market continued its downturn carried forward from last year as many property developers experienced serious credit and liquidity crunch as a result of the central government effort to rectify the overleveraged property market. The overall sentiment of the property market inevitably affected the Group's property business in Mainland China.

The process of seeking for potential buyers for the remaining properties were delayed due to general slowdown in the property market in the PRC. The domestic property market was basically frozen due to the impact from the outbreak of the COVID-19 Pandemic. Pre-sale arrangement for the residential area of Section G of Century Place, Kaifeng, the PRC commenced since May 2021, and the related sales revenue will be recognised during the year ending 31 March 2023, subject to the progress of construction and completion of sales.

(ii) Rental income from investment properties

Turnover from rental income decreased from approximately HK\$11,850,000 for the six months ended 30 September 2021 to approximately HK\$10,627,000 for the Reporting Period, representing a decrease of approximately 10%. The slight decrease was arising from the drop of rental income arising from Haikou, the PRC. As the Group has entered agreement with an independent third party to sell the commercial properties at Haikou, the tenancy agreement that expired during the Reporting Period has not been renewed.

Segment operating profit generated from this segment for the Reporting Period amounted to approximately HK\$4,793,000 (six months ended 30 September 2021: HK\$3,463,000). The increase was because of the increase in turnover from sales of commercial properties during the Reporting Period.

Trading business

The Group's revenue for the Reporting Period from this segment recorded at approximately HK\$32,176,000 (six months ended 30 September 2021: HK\$30,758,000), representing an increase of approximately 5% as compared to the last reporting period.

Revenue generated from this segment arises from the trading of medical equipment, wellness and pandemic prevention products and home security and automation products, including the provision of the related installation and maintenance services.

(i) Trading of medical equipment, wellness and pandemic prevention products

Revenue increased from approximately HK\$22,519,000 for the six months ended 30 September 2021 to approximately HK\$29,063,000 for the Reporting Period, representing a significant increase of approximately 29%. The increase was because of the significant sales of air purifiers during the Reporting Period. The spread of COVID-19 Pandemic also caused the increase in awareness and demand for medical products especially air purifiers to hospitals. Our customers include Hospital Authority: West Kowloon Cluster and Hong Kong West Cluster.

(ii) Trading of home security and automation products

Revenue decreased significantly from approximately HK\$8,239,000 for the six months ended 30 September 2021 to approximately HK\$3,113,000 for the Reporting Period, representing a significant decrease of approximately 62%. The decrease was because of the drop in demand for security products during the COVID-19 Pandemic where some potential projects in the PRC have been delayed due to the lock down policy. On the other hand, in order to clear some old slow moving inventories, some inventories were sold at low selling price.

Segment operating profit generated from this segment for the Reporting Period amounted to approximately HK\$4,055,000 (six months ended 30 September 2021: HK\$4,693,000). The decrease was because of lower gross profit margin for the new models for the sales of air purifiers and the drop in selling price for home security and automation products.

“Others” business, principally operation of a hotel

The Group's revenue for the Reporting Period generated from this segment was approximately HK\$4,330,000 (2021: HK\$5,409,000), representing a decrease of 20% as compared to the same period last year. Revenue generated from this segment arises mainly from the operation of a hotel. The Group has operated one hotel, namely Holiday Inn Express Kaifeng City Center (“**Holiday Inn Express Kaifeng**”) during the Reporting Period. Holiday Inn Express Kaifeng is located in the city centre of Kaifeng, with a total gross floor area of approximately 14,000 sq.m.. It consists of 243 guest rooms, including 100 king bed standard rooms, 106 single bed standard rooms, 18 king bed superior rooms, 18 single bed superior rooms and 1 suite. There are also three meeting rooms with a total gross floor area of approximately 460 sq.m..

During the Reporting Period, the overall performance of the Group's hotel in the Mainland China was affected by the intermittent pandemic. The PRC Government imposed lockdowns in some provinces with strict social distancing measures during the COVID-19 Pandemic. It caused a drop in occupancy rate in early of the Reporting Period. The drop was partly offset in August 2022 when Holiday Inn Express Kaifeng was selected as a quarantine hotel for Kaifeng, the PRC.

Segment operating loss generated from this segment during the Reporting Period amounted to approximately HK\$2,558,000 (2021: HK\$2,036,000). The loss was mainly due to depreciation expense of the hotel and operating loss of the hotel operation. The COVID-19 Pandemic has caused a significant drop in the number of tourists during the Reporting Period.

The net loss attributable to owners of the Company for the Reporting Period amounted to approximately HK\$69,317,000 as compared with that for the six months ended 30 September 2021 of approximately HK\$8,347,000. The significant increase in loss was due to the increase in fair value loss on equity investments designated at fair value through profit or loss from a profit of approximately HK\$2.3 million for the six months ended 30 September 2021 to a loss of approximately HK\$65.6 million for the Reporting Period due to the significant decrease in the share price of one of the equity investment that was listed in China on Shenzhen Stock Exchange.

Loss per share for the six months ended 30 September 2022 was approximately HK4.73 cents.

FINANCIAL REVIEW

Turnover

For the six months ended 30 September 2022, the Group's turnover amounted to approximately HK\$60 million, increased by approximately 13% as compared to the same period last year. Such increase was mainly because (i) the increase in contract sum for the sales of commercial properties during the Reporting Period; and (ii) COVID-19 has boosted the demands for air purifiers which caused a significant increase in sales for the trading segment.

Revenue generated from property development and investment business, trading business and others business amounted to approximately HK\$24 million, HK\$32 million and HK\$4 million, respectively, representing an increase of approximately 39%, an increase of approximately 5% and a decrease of 20%, respectively as compared with the same period last year.

Gross profit margin

During the six months ended 30 September 2022, the Group's gross profit margin was approximately 48.9%, slightly down by 0.7 percentage points as compared to 49.6% of the same period last year. This was mainly driven by a significant decrease in selling price of radioactive inventories in order to clear the slow moving inventories. On the other hand, the drop in gross profit margin was also noted for the sales of a new model air purifiers to Hospital Authority.

Fair value (loss)/gain on an equity investments at fair value through profit or loss

The amount represents the fair value loss on one of the equity investments that are included in the equity investments designated at fair value through profit or loss due to a significant decrease in share price of that investment.

Liquidity and financial resources

During the Reporting Period, the Group maintained a healthy liquidity position with working capital financed mainly by internal resources and also other borrowings. The Group adopted a prudent cash and financial management policy.

As at 30 September 2022, the Group had total assets of approximately HK\$2,174,197,000, which were financed by total liabilities, shareholders' equity and non-controlling interests of approximately HK\$720,432,000, HK\$1,459,799,000 and HK\$6,034,000 (debit balance), respectively. The Group's current ratio as at 30 September 2022 was 2.8 as compared with 2.18 as at 31 March 2022.

Gearing ratio is calculated by dividing the total interest-bearing debts less cash and cash equivalents with the total equity as at the end of the respective reporting periods and multiplied by 100%. The Group had a net gearing ratio of approximately 29% as at 30 September 2022 (31 March 2022: 25%). We analyse the maturity profiles of our borrowings and manage our liquidity level to ensure a sufficient cash flow to service our indebtedness and meet cash requirements arising from our business. We will explore various financing opportunities to improve our capital structure and reduce our cost of capital.

Capital expenditure

Total capital expenditure for the six months ended 30 September 2022 was approximately HK\$68,000, which was mainly used in the addition of computer equipment.

Contingent liabilities

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

Commitments

At the end of the reporting date, the Group had capital commitments contracted, but not provided for, of approximately HK\$4,576,000.

Charges on group assets

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\$262,488,000 (31 March 2022: HK\$281,910,000);
- (ii) the pledge of certain of the Group's investment properties situated in the PRC of HK\$466,200,000 (31 March 2022: HK\$516,600,000);
- (iii) the pledge of certain listed equity instruments held by the Group's equity investee with a fair value of HK\$41,470,000 (31 March 2022: HK\$42,202,000);
- (iv) the pledge of certain of the Group's of properties held for sale under development and properties held for sale situated in the PRC of HK\$147,852,000 (31 March 2022: HK\$163,836,000);
- (v) the assignment of rental income from the leases of certain of properties of the Group; and
- (vi) the pledge of the Group's time deposits of HK\$4,000,000 (31 March 2022: HK\$4,000,000).

Treasury policies

The Group had adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. 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 balances denominated in Renminbi (“RMB”) which is mainly arising from relevant group entities’ foreign currency denominated monetary assets and liabilities for the Group’s operating activities.

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

PROSPECTS

For the second half of 2022, it is anticipated that the global economy will still be volatile and challenging. Factors such as continuous threat of COVID-19 and its variants, increase in interest rates in the United States and many major economies, disruption in supply chain due to the pandemic and regional geopolitical tension will undermine economic recovery. It is difficult to predict when the global economy can be recovered and resume its normal pace. However, it is anticipated that many countries may take suitable measures to provide flexible and accommodative monetary policies and fiscal stimulus to support economic recovery in case of extreme economic downturn.

Property development and investment

We anticipate the global economy to be volatile and challenging in the coming year. Factors such as the continuous threat of COVID-19 Pandemic and its variants, increase in interest rates by major economies such as US to curb inflation, disruption in supply chain, and geopolitical tension in various regions will affect economic recovery. It is very difficult to predict when the global economy can resume its normal pace. However, it is anticipated that many countries may adopt flexible and accommodative monetary policies and fiscal stimulus to provide liquidity to counter economic downturn, and interest rate increase may still be moderate.

In Mainland China, it is expected that the economy will be stable with growth as the pandemic has been under control. The central government will continue to provide accommodative monetary policy and fiscal stimulus necessary to support economic growth. The effort of the central government to deleverage and its measures to facilitate healthy growth of the property market may have short-term effect to slow down the property market, but it is expected that the property market will remain resilient in the long run.

Century Place, Kaifeng

On 9 June 2005, the Group was granted the land use rights of a development site in the Long Ting District of the city of Kaifeng, Henan Province, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 210,500 sq.m.. The name of this project is “Century Place, Kaifeng”. Up to the date of this interim results announcement, the construction of a gross floor area of approximately 190,000 sq.m. has been completed and achieved a total sales contract sum of approximately RMB767 million. The remaining part of the land (Section G) is under construction, and it is expected that the construction will be completed by the last middle of 2023 and the pre-sale has already started in the second quarter of 2021.

The unsold area at the Century Place, Kaifeng consists of the following:

	CURRENT USE	GROSS FLOOR AREA <i>(approximately sq.m.)</i>
Section A	Investment properties — Shops (leased out)	53,600
Section B	Properties held for sale — Apartments	200
	Car park	78
Section C	Properties held for sale — Villas	6,000
Section D	Properties held for sale — Offices	1,200
	Car park	10
Section E	Properties held for sale — Shops	350
Section F	Properties held for sale — Shops	11,100
	Car park	89
Section G	Properties held for sale under development — Apartments and shops	20,500

The Group plans to sell Section C together with Section G. It is because these two sections are adjacent to each other and it is believed that the synergy effect can bring a higher return to the Group. Up to the date of this interim results announcement, the discussions regarding any potential sale remained preliminary and no formal proposal has been put forward by any third party to the Group and no legally binding agreement or contract relating to any business cooperation has been entered into by the Group. The outcome of any discussion on such business cooperation is not known as of the date of this interim results announcement and in the event that any agreement or contract regarding the possible business cooperation with the aforementioned third party is reached, the Group will comply with the relevant requirements of the Listing Rules.

Up to the date of this interim results announcement, the total contract sum from the pre-sale of Section G properties amounted to approximately RMB23 million. However as the ownership of the properties have not yet been ready to be passed to the buyers, no revenue from sales has been recognised for Section G during the Reporting Period.

World Expo, Kaifeng

On 16 February 2012, the Group successfully won a bid for the acquisition of the land use right of a residential and commercial site in the city of Kaifeng, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 95,000 sq.m.. The name of this project is “**World Expo, Kaifeng**”. Up to the date of this interim results announcement, this project has been completed and achieved a total sales contract sum of approximately RMB564 million.

The unsold area at the World Expo, Kaifeng consists of the following:

	CURRENT USE	GROSS FLOOR AREA <i>(approximately sq.m.)</i>
Commercial A	Property, plant and equipment — Hotel	14,000
Commercial B	Properties held for sale — Shops	5,989
Residential 1–3	Properties held for sale — Apartments	7,042
	Car park	147

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 urban areas, together create additional demand for medical equipment. Consequently, this segment is expected to 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.

In addition, with the improving standard of living and technology in Hong Kong, major cities in the PRC and Southeast Asia, the Group aims to provide a series of solutions to smart city development for shopping malls, government facilities, border and airport, etc.

The Group has set up a new subsidiary for the trading of wellness and pandemic prevention products. Due to the COVID-19 Pandemic, the Group will increase the range of products to fulfill the demand of the society.

During the Reporting Period, the Group is the sole distributor in Hong Kong for a medical-grade air purifier, Perfect Particulates Purification (“PPP”). PPP air purifiers are developed by a team of Hong Kong air quality experts and medical professionals. The PPP air purifiers include different models for various applications.

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.

Hotel operation

The Group has signed an agreement with 六洲酒店管理(上海)有限公司 (a member of IHG Hotels & Resort) to operate the hotel under the name of “**Holiday Inn Express Kaifeng City Center**”. Holiday Inn Express is one of the world-famous selected service hotel brands. Holiday Inn Express Kaifeng City Center was opened in January 2020.

The Group is taking all practicable measures to cope with the challenges from the COVID-19 Pandemic. The first priority is to deliver a feeling of safety to our guests. Therefore, we are putting in place strict sanitisation and hygiene protocol to ensure guests returning to stay or dine in the hotel will have complete peace of mind and full assurance in the hotel’s products and services. Moreover, we are introducing marketing and sales recovery strategies to target the domestic market for staycation and food menu for takeaway, and at the same time, taking decisive decision to reduce operating costs. The Group will continue to improve the quality of its hotel services to ensure the hotel guests having enjoyable experiences during their stays in the hotel.

The Board will strive for new breakthroughs in terms of industry and geographic coverage by improving the Group’s corporate governance to comply with the Listing Rules, increasing the risk control level, enhancing asset management capability, further forging a professional and high-quality talent team to seize the development opportunity and actively develop new customers. The Group will also pay attention to maintain relationships with existing customers and explore deeper cooperation with quality customers in order to achieve steady and long-term development of the Group.

FUNDRAISING FOR THE PAST TWELVES MONTHS

A. Rights issue and use of proceeds

On 1 November 2021, the Company implemented a rights issue (the “**Rights Issue**”) on the basis of one (1) rights Share (the “**Rights Shares**”) for every two (2) existing ordinary shares of the Company of HK\$0.10 each (the “**Shares**” and each a “**Share**”) held by the qualifying shareholders on the record date (3 December 2021, the “**Record Date**”) at the subscription price (the “**Subscription Price**”) of HK\$0.10 per Rights Share to raise gross proceeds of up to approximately HK\$49.9 million before expenses by way of a rights issue of up to 499,390,200 Rights Shares. The Directors considered that raising funds by way of the Rights Issue will enable the Company to strengthen its working capital base and to enhance its financial position, so as to meet the imminent need of funds to settle outstanding liabilities owing by the Company to its creditors in respect of its short-term borrowings and overdraft facilities, as well as to maintain its operations. The closing price per Share on 1 November 2021 (being the date on which the terms of Rights Issue were fixed) was HK\$0.108.

On 1 November 2021 (after trading hours), the Company entered into the underwriting agreement (the “**Underwriting Agreement**”) with Koala Securities Limited and Yellow River Securities Limited (the “**Underwriters**”), pursuant to which the Underwriters have conditionally agreed to underwrite, on a best effort basis, the underwritten shares of up to 281,421,900 Rights Shares, subject to the terms and conditions set out in the Underwriting Agreement.

On 31 December 2021, the Rights Issue was completed where 488,940,200 Rights Shares were issued for cash of HK\$0.10 per Share and net proceeds, after related expenses, of HK\$46,707,000 (“**Net Proceeds**”) were raised. The net price is approximately HK\$0.096 per Share.

Details of the Rights Issue are set out in the Company’s announcements dated 1 November 2021 and 30 December 2021, and the Company’s prospectus dated 6 December 2021.

As at 30 September 2022, the Net Proceeds had been utilised as follows:

	Proposed use of Net Proceeds	Approximate percentage of Net Proceeds	Actual use of the Net Proceeds up to 30 September 2022	Amount unutilised as at 30 September 2022
	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Repayment of unsecured loans by the Group	37,100	79%	37,100	—
General working capital	<u>9,607</u>	<u>21%</u>	<u>9,607</u>	<u>—</u>
Total	<u><u>46,707</u></u>	<u><u>100%</u></u>	<u><u>46,707</u></u>	<u><u>—</u></u>

As at the date hereof, the Net Proceeds have been fully utilised.

B. Placing of bonds and use of proceeds

On 25 May 2022, the Company entered into a placing agreement for placing of unlisted corporate bonds of an aggregate principal amount of HK\$20,000,000. The interest rate is 10% per annum, payable quarterly in arrears. The net proceeds from the bond placing will be used by the Company for general working capital of the Group. As at the date of this announcement, bonds of an aggregate principal amount of HK\$13,000,000 were subscribed for by one placee.

C. Subscription of bonds and use of proceeds

On 11 August 2022, an independent third party investor entered into a subscription agreement with the Company for the subscription of unlisted corporate bonds of an aggregate principal amount of HK\$20,000,000. The interest rate is 7% per annum, payable quarterly in arrears. The net proceeds from the bond subscription will be used by the Company for general working capital of the Group.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Reporting Period, there has been no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this interim results announcement, the Group did not have other plans for material investment or capital assets as at 30 September 2022.

HUMAN RESOURCES

As at 30 September 2022, the Group had 155 employees, 108 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the Reporting Period increased to approximately HK\$19.3 million from approximately HK\$18.3 million in the same period last year. The increase was mainly due to the increment under the yearly review and increase of sales commission due to the increase in sales in trading segment.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the six months ended 30 September 2022.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 30 August 2022 (the “**New Scheme**”) which complied with the requirements of Chapter 17 of the Listing Rules. The New Scheme replaced and substituted the share option scheme of the Company adopted on 15 August 2012 (the “**Old Scheme**”).

The New Scheme is established by the Company to recognize and acknowledge the contributions of eligible participants who have contributed to the success of the Group’s operations. Eligible participants of the New Scheme include full time or part time employees, executives, officers or directors (including independent non-executive directors) of the Group. The New Scheme will remain in force for 10 years from 30 August 2022.

During the Reporting Period, no share options were granted under the New Scheme.

At the end of the Reporting Period, the Company had 33,651,851 share options outstanding under the Old Scheme, representing approximately 2.29% of the Company’s shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 33,651,851 additional ordinary shares of the Company and additional share capital of HK\$3,365,185 and share premium of HK\$689,862 (before issue expenses).

Details of the New Scheme and the Old Scheme will be disclosed in the “**Management Discussion and Analysis**” section in the Group’s 2022 interim report.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the six months ended 30 September 2022.

CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2022, the Company’s corporate governance practices are based on the principles and the code provisions (“**Code Provisions**”) as set out in the Code on Corporate Governance Practices (“**CG Code**”) contained in Appendix 14 of the Listing Rules. The Directors consider that the Company has complied with most of the Code Provisions throughout the six months ended 30 September 2022, save for the deviation from the Code Provision A.2.1 and A.4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Summary of deviation of the CG Code:

Code Provision A.2.1

CG Code Provision A.2.1 requires that the roles of Chairman and chief executive should be separate and should not be performed by the same individual.

The Company has deviated from CG Code Provision A.2.1 to the extent that the roles of chairman and chief executive (or in the context of the Company, the managing director) are performed by Mr. Tjia. Having considered the existing structure and composition of the board and operations of the Group in Hong Kong, the board believes that vesting the roles of both chairman and managing director in Mr. Tjia facilitates the effective implementation and execution of its business strategies by, and ensures a consistent leadership for, the Group. Further, a balance of power and authority between the board and management can be ensured by the operation of the board, whose members (including the three independent non-executive directors) are individuals of high calibre with ample experience, such that the interests of shareholders can be safeguarded. The Company will continue to review the structure and composition of the board from time to time to ensure that a balance of power and authority between the board and management is appropriately maintained for the Group.

Code Provision A.4.1

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2022.

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

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls, risk management and financial reporting matters including the review of the interim results for the six months ended 30 September 2022, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprises three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The interim results of the Group for the six months ended 30 September 2022 have not been reviewed or audited by the Company's independent auditor. The Audit Committee held a meeting on 29 November 2022. The Audit Committee has considered and reviewed the interim report and interim financial statements of the Group and given their opinion and recommendation to the Board. The Audit Committee considers that the 2022 interim report and interim financial statements of the Group have complied with the applicable accounting standards and the Company has made appropriate disclosures thereof.

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

PUBLICATION OF FURTHER FINANCIAL INFORMATION

The interim results announcement is published on the Stock Exchange website (<http://www.hkexnews.hk>) and the Company's website (<http://www.deson.com>). The interim report for the six months ended 30 September 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Stock Exchange website and the Company's website in due course.

By Order of the Board
Deson Development International Holdings Limited
Tjia Boen Sien
Managing Director and Chairman

Hong Kong, 29 November 2022

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