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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 2019**

The board of directors (the “**Board**”) of Deson Development International Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2019 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 September 2018 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 September 2019*

|   | <i>Notes</i> | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>REVENUE</b>                            | 3            | <b>224,108</b>                 | 196,491                 |
| Cost of sales                             |              | <u>(182,137)</u>               | <u>(126,520)</u>        |
| Gross profit                              |              | <b>41,971</b>                  | 69,971                  |
| Other income and gains                    | 3            | <b>6,633</b>                   | 6,904                   |
| Administrative expenses                   |              | <b>(35,281)</b>                | (39,264)                |
| Other operating expenses, net             |              | <b>(578)</b>                   | (1,649)                 |
| Finance costs                             | 5            | <b>(1,018)</b>                 | (5,179)                 |
| Share of profits and losses of associates |              | <u><b>(1,507)</b></u>          | <u>(2,306)</u>          |
| <b>PROFIT BEFORE TAX</b>                  | 4            | <b>10,220</b>                  | 28,477                  |
| Income tax expense                        | 6            | <u><b>(5,301)</b></u>          | <u>(16,354)</u>         |
| <b>PROFIT FOR THE PERIOD</b>              |              | <u><b>4,919</b></u>            | <u>12,123</u>           |

\* *For identification purposes only*

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

*For the six months ended 30 September 2019*

|  | <i>Note</i> | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Attributable to:   |             |                                |                         |
| Owners of the Company  |             | <b>5,202</b>                   | 12,538                  |
| Non-controlling interests  |             | <u>(283)</u>                   | <u>(415)</u>            |
|  |             | <b><u>4,919</u></b>            | <u>12,123</u>           |
| <br>   |             |                                |                         |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO<br/>ORDINARY EQUITY HOLDERS OF THE<br/>COMPANY</b> |             |                                |                         |
| Basic and diluted  | 8           | <b><u>HK0.53 cent</u></b>      | <u>HK1.28 cent</u>      |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>PROFIT FOR THE PERIOD</b>   | <b><u>4,919</u></b>     | <b><u>12,123</u></b>    |
| <b>OTHER COMPREHENSIVE LOSS</b>  |                         |                         |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:         |                         |                         |
| Share of other comprehensive loss of associates  | (2,701)                 | (1,959)                 |
| Reclassification adjustment of exchange differences for an associate disposed of during the period | (726)                   | —                       |
| Exchange differences on translation of foreign operations  | (76,991)                | (115,852)               |
| Reclassification adjustment of exchange differences for a subsidiary dissolved during the period   | <u>(1,184)</u>          | <u>—</u>                |
| <b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>   | <b><u>(81,602)</u></b>  | <b><u>(117,811)</u></b> |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>   | <b><u>(76,683)</u></b>  | <b><u>(105,688)</u></b> |
| Attributable to:   |                         |                         |
| Owners of the Company  | (76,403)                | (105,282)               |
| Non-controlling interests  | <u>(280)</u>            | <u>(406)</u>            |
|  | <b><u>(76,683)</u></b>  | <b><u>(105,688)</u></b> |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2019*

|  |              | 30 September<br>2019 | 31 March<br>2019             |
|--|--------------|----------------------|------------------------------|
|  | <i>Notes</i> | <i>HK\$'000</i>      | <i>HK\$'000</i><br>(Audited) |
| <b>NON-CURRENT ASSETS</b>  |              |                      |                              |
| Property, plant and equipment  |              | 220,701              | 228,562                      |
| Investment properties  | 9            | 969,870              | 1,031,589                    |
| Investments in associates  |              | 23,435               | 27,109                       |
| Equity investment designated at fair value through<br>other comprehensive income | 10           | 9,400                | 9,400                        |
| Equity investments at fair value through<br>profit or loss                       | 10           | 119,666              | 105,380                      |
| Total non-current assets   |              | <u>1,343,072</u>     | <u>1,402,040</u>             |
| <b>CURRENT ASSETS</b>  |              |                      |                              |
| Due from associates  |              | 4,818                | 4,515                        |
| Due from related companies   |              | 186                  | 4,237                        |
| Properties held for sale under development and<br>properties held for sale       | 11           | 795,833              | 973,913                      |
| Inventories  |              | 10,122               | 11,505                       |
| Accounts receivable  | 12           | 48,334               | 20,655                       |
| Prepayments, deposits and other receivables                                      |              | 40,557               | 46,789                       |
| Tax recoverable  |              | 25,161               | 27,234                       |
| Pledged deposits   |              | 3,000                | 3,000                        |
| Cash and cash equivalents  |              | 12,347               | 29,487                       |
|  |              | <u>940,358</u>       | <u>1,121,335</u>             |
| Non-current asset classified as held for sale                                    | 13           | —                    | 68,589                       |
| Total current assets   |              | <u>940,358</u>       | <u>1,189,924</u>             |
| <b>CURRENT LIABILITIES</b>   |              |                      |                              |
| Accounts payable   | 14           | 8,075                | 6,655                        |
| Other payables and accruals  |              | 136,777              | 299,480                      |
| Due to associates  |              | 5,161                | 5,177                        |
| Due to related companies   |              | 786                  | —                            |
| Tax payable  |              | 20,494               | 22,499                       |
| Interest-bearing bank and other borrowings                                       |              | 198,035              | 226,632                      |
| Total current liabilities  |              | <u>369,328</u>       | <u>560,443</u>               |
| <b>NET CURRENT ASSETS</b>  |              | <u>571,030</u>       | <u>629,481</u>               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                                     |              | <u>1,914,102</u>     | <u>2,031,521</u>             |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*As at 30 September 2019*

|   | <b>30 September<br/>2019</b> | 31 March<br>2019             |
|---|------------------------------|------------------------------|
| <i>Note</i>   | <b><i>HK\$'000</i></b>       | <i>HK\$'000</i><br>(Audited) |
| <b>NON-CURRENT LIABILITIES</b>                      |                              |                              |
| Interest-bearing bank and other borrowings          | <b>165,000</b>               | 192,642                      |
| Deferred tax liabilities                            | <b>187,497</b>               | 191,538                      |
|   | <u>352,497</u>               | <u>384,180</u>               |
| Total non-current liabilities                       |                              |                              |
|   | <u>352,497</u>               | <u>384,180</u>               |
| Net assets  | <b><u>1,561,605</u></b>      | <b><u>1,647,341</u></b>      |
| <b>EQUITY</b>                                       |                              |                              |
| <b>Equity attributable to owners of the Company</b> |                              |                              |
| Issued capital                                      | 15 <b>97,788</b>             | 97,788                       |
| Reserves  | <b>1,467,302</b>             | 1,553,485                    |
|   | <u>1,565,090</u>             | 1,651,273                    |
| <b>Non-controlling interests</b>                    | <b>(3,485)</b>               | (3,932)                      |
|   | <u>1,561,605</u>             | <u>1,647,341</u>             |
| Total equity  |                              |                              |
|   | <u>1,561,605</u>             | <u>1,647,341</u>             |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the six months ended 30 September 2019*

|   | Attributable to owners of the Company |                 |                     |               |                     |                 |                    |                |                     |                     |          |           |           | Non-controlling interests |           | Total equity |
|---|---------------------------------------|-----------------|---------------------|---------------|---------------------|-----------------|--------------------|----------------|---------------------|---------------------|----------|-----------|-----------|---------------------------|-----------|--------------|
|   | Share                                 |                 |                     | Property      |                     | Capital         |                    | Share          | Exchange            | Investment          | Reserve  | Retained  | Total     |                           |           |              |
|   | Issued capital                        | premium account | Contributed surplus | Other reserve | revaluation reserve | Capital reserve | redemption reserve | option reserve | fluctuation reserve | revaluation reserve | funds    | profits   |           | HK\$'000                  | HK\$'000  | HK\$'000     |
| HK\$'000  | HK\$'000                              | HK\$'000        | 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 2018 (audited)   | 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 |              |
| Adjustment on adoption of HKFRS 15, net of tax                                  | —                                     | —               | —                   | —             | —                   | —               | —                  | —              | —                   | —                   | —        | 927       | 927       | —                         | 927       |              |
| Adjustment on adoption of HKFRS 9, net of tax                                   | —                                     | —               | —                   | —             | —                   | —               | —                  | —              | —                   | 6,243               | —        | 57,490    | 63,733    | —                         | 63,733    |              |
| Restated balance at 1 April 2018  | 97,788                                | 243,040         | 15,262              | 23,061        | 129,250             | (9,240)         | 14,457             | 2,398          | 85,383              | 6,243               | 961      | 1,106,470 | 1,715,073 | (609)                     | 1,714,464 |              |
| Profit/(loss) for the period  | —                                     | —               | —                   | —             | —                   | —               | —                  | —              | —                   | —                   | —        | 12,538    | 12,538    | (415)                     | 12,123    |              |
| Other comprehensive loss for the period:  |                                       |                 |                     |               |                     |                 |                    |                |                     |                     |          |           |           |                           |           |              |
| Share of other comprehensive loss of associates                                 | —                                     | —               | —                   | —             | —                   | —               | —                  | —              | (1,959)             | —                   | —        | —         | (1,959)   | —                         | (1,959)   |              |
| Exchange differences on translation of foreign operations                       | —                                     | —               | —                   | —             | —                   | —               | —                  | —              | (115,861)           | —                   | —        | —         | (115,861) | 9                         | (115,852) |              |
| Total comprehensive income/(loss) for the period                                | —                                     | —               | —                   | —             | —                   | —               | —                  | —              | (117,820)           | —                   | —        | 12,538    | (105,282) | (406)                     | (105,688) |              |
| Capital injection from non-controlling shareholders                             | —                                     | —               | —                   | —             | —                   | —               | —                  | —              | —                   | —                   | —        | —         | —         | 147                       | 147       |              |
| Release of revaluation reserve  | —                                     | —               | —                   | —             | (2,582)             | —               | —                  | —              | —                   | —                   | —        | 2,582     | —         | —                         | —         |              |
| Transfer of share option reserve upon the forfeiture or expiry of share options | —                                     | —               | —                   | —             | —                   | —               | —                  | (2,398)        | —                   | —                   | —        | 2,398     | —         | —                         | —         |              |
| Final 2018 dividend paid  | —                                     | —               | —                   | —             | —                   | —               | —                  | —              | —                   | —                   | —        | (4,889)   | (4,889)   | —                         | (4,889)   |              |
| At 30 September 2018  | 97,788                                | 243,040         | 15,262              | 23,061        | 126,668             | (9,240)         | 14,457             | —              | (32,437)            | 6,243               | 961      | 1,119,099 | 1,604,902 | (868)                     | 1,604,034 |              |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2019

|  | Attributable to owners of the Company |                |                 |                     |                |                     |                    |                            |                              |                  |                  |                   |                           |                |                  |
|--|---------------------------------------|----------------|-----------------|---------------------|----------------|---------------------|--------------------|----------------------------|------------------------------|------------------|------------------|-------------------|---------------------------|----------------|------------------|
|  | Note                                  | Share          |                 |                     | Property       |                     |                    | Capital redemption reserve | Exchange fluctuation reserve | Reserve funds    | Retained profits | Total             | Non-controlling interests | Total equity   |                  |
|  |                                       | Issued capital | premium account | Contributed surplus | Other reserve  | revaluation reserve | Fair value reserve |                            |                              |                  |                  |                   |                           |                | HK\$'000         |
| At 1 April 2019  |                                       | 97,788         | 243,040         | 15,262              | 23,061         | 136,720             | (2,184)            | (9,240)                    | 14,457                       | 411              | 961              | 1,130,997         | 1,651,273                 | (3,932)        | 1,647,341        |
| Profit for period  |                                       | —              | —               | —                   | —              | —                   | —                  | —                          | —                            | —                | —                | 5,202             | 5,202                     | (283)          | 4,919            |
| Other comprehensive loss for the period:   |                                       |                |                 |                     |                |                     |                    |                            |                              |                  |                  |                   |                           |                |                  |
| Share of other comprehensive loss of associates                                      |                                       | —              | —               | —                   | —              | —                   | —                  | —                          | —                            | (2,701)          | —                | —                 | (2,701)                   | —              | (2,701)          |
| Reclassification adjustment of exchange differences for an associate disposed of     |                                       | —              | —               | —                   | —              | —                   | —                  | —                          | —                            | (726)            | —                | —                 | (726)                     | —              | (726)            |
| Exchange differences on translation of foreign operations                            |                                       | —              | —               | —                   | —              | —                   | —                  | —                          | —                            | (76,994)         | —                | —                 | (76,994)                  | 3              | (76,991)         |
| Reclassification adjustment of exchange differences upon dissolution of a subsidiary |                                       | —              | —               | —                   | —              | —                   | —                  | —                          | —                            | (1,184)          | —                | —                 | (1,184)                   | —              | (1,184)          |
| Total comprehensive loss for the period  |                                       | —              | —               | —                   | —              | —                   | —                  | —                          | —                            | (81,605)         | —                | 5,202             | (76,403)                  | (280)          | (76,683)         |
| Capital injection from a non-controlling shareholder                                 |                                       | —              | —               | —                   | —              | —                   | —                  | —                          | —                            | —                | —                | —                 | —                         | 727            | 727              |
| Release of revaluation reserve   |                                       | —              | —               | —                   | —              | (2,703)             | —                  | —                          | —                            | —                | —                | 2,703             | —                         | —              | —                |
| Final 2019 dividend paid   |                                       | —              | —               | —                   | —              | —                   | —                  | —                          | —                            | —                | —                | (4,890)           | (4,890)                   | —              | (4,890)          |
| Special 2019 dividend paid   | 7                                     | —              | —               | —                   | —              | —                   | —                  | —                          | —                            | —                | —                | (4,890)           | (4,890)                   | —              | (4,890)          |
| Release of reserve funds upon dissolution of a subsidiary                            |                                       | —              | —               | —                   | —              | —                   | —                  | —                          | —                            | —                | (961)            | 961               | —                         | —              | —                |
| At 30 September 2019   |                                       | <u>97,788</u>  | <u>243,040*</u> | <u>15,262*</u>      | <u>23,061*</u> | <u>134,017*</u>     | <u>(2,184)*</u>    | <u>(9,240)*</u>            | <u>14,457*</u>               | <u>(81,194)*</u> | <u>—*</u>        | <u>1,130,083*</u> | <u>1,565,090</u>          | <u>(3,485)</u> | <u>1,561,605</u> |

\* These reserve accounts comprise the consolidated reserves of HK\$1,467,302,000 (31 March 2019: HK\$1,553,485,000) in the condensed consolidated statement of financial position.

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

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) 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, and investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at valuation or fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2019.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019, 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 2019.

The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 April 2019:

|  |   |
|--|---|
| HKFRS 16   | <i>Leases</i>   |
| HK(IFRIC)-Int 23                                 | <i>Uncertainty over Income Tax Treatments</i>               |
| Amendments to HKFRS 9                            | <i>Prepayment Features with Negative Compensation</i>       |
| Amendments to HKAS 19                            | <i>Plan Amendments, Curtailment or Settlement</i>           |
| Amendments to HKAS 28                            | <i>Long-term Interests in Associates and Joint Ventures</i> |
| <i>Annual Improvements to HKFRSs (2015–2017)</i> | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23        |

The adoption of the new and revised HKFRSs, except as described below regarding the impact of HKFRS 16 *Leases*, did not have any significant financial impacts on the unaudited condensed consolidated financial statements.

The nature and impact of HKFRS 16 *Leases* are described below:

#### **HKFRS 16 *Leases***

HKFRS 16 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 account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for the year ended 31 March 2019 was not restated and continues to be reported under HKAS 17.

#### ***New definition of a lease***

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

#### ***As a lessee — Leases previously classified as operating leases***

##### *Nature of the effect of adoption of HKFRS 16*

As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

### ***Impacts on transition***

Management has assessed the impact on transition and considers that the right-of-use assets and lease liabilities at 1 April 2019 are not material and the adoption of HKFRS 16 has not resulted in any recognition of right-of-use assets and lease liabilities as at 1 April 2019.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

### ***Summary of new accounting policies***

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

#### ***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

#### ***Lease liabilities***

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease terms reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying assets.

## 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (2018: 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 holding of investment properties; and
- (b) the “others” segment comprises, principally, trading of medical equipment and home security and automation products.

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. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that interest income, dividend income, fair value gain on financial assets at fair value through profit or loss, finance costs, share of profits and losses of associates, loss on disposal of an associate 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.

Period ended 30 September 2019

|  | <b>Property<br/>development<br/>and<br/>investment<br/>business<br/><i>HK\$'000</i></b> | <b>Others<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
|--|---|-----------------------------------|----------------------------------|
| <b>Segment revenue (note 3)</b>                            |   |                                   |                                  |
| Income from external customers                             | 200,195   | 23,913                            | 224,108                          |
| Other income and gains                                     | 4,564   | 74                                | 4,638                            |
|  | <u>204,759</u>  | <u>23,987</u>                     | <u>228,746</u>                   |
| <b>Segment results</b>                                     |   |                                   |                                  |
| Operating profit   | 16,420  | 3,933                             | 20,353                           |
| <i>Reconciliation:</i>                                     |   |                                   |                                  |
| Interest income  |   |                                   | 95                               |
| Dividend income  |   |                                   | 1,900                            |
| Unallocated expenses                                       |   |                                   | (9,110)                          |
| Finance costs  |   |                                   | (1,018)                          |
| Loss on disposal of an associate                           |   |                                   | (493)                            |
| Share of profits and losses of associates                  |   |                                   | <u>(1,507)</u>                   |
| Profit before tax  |   |                                   | <u>10,220</u>                    |
| <b>Other segment information:</b>                          |   |                                   |                                  |
| Loss on disposal of items of property, plant and equipment | 133   | —                                 | 133                              |
| Reversal of impairment of accounts receivable              | (70)  | —                                 | (70)                             |
| Provision for inventories                                  | —   | 259                               | 259                              |
| Depreciation   | 4,342   | 48                                | 4,390                            |
| Capital expenditure*                                       | <u>—</u>  | <u>250</u>                        | <u>250</u>                       |

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

**Period ended 30 September 2018**

|   | Property<br>development<br>and<br>investment<br>business<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|---------------------------|--------------------------|
| <b>Segment revenue (note 3)</b>   |   |                           |                          |
| Income from external customers  | 176,217   | 20,274                    | 196,491                  |
| Other income and gains  | <u>4,877</u>  | <u>218</u>                | <u>5,095</u>             |
|   | 181,094   | 20,492                    | <u><u>201,586</u></u>    |
| <b>Segment results</b>  |   |                           |                          |
| Operating profit  | 36,538  | 1,912                     | 38,450                   |
| <i>Reconciliation:</i>  |   |                           |                          |
| Interest income   |   |                           | 921                      |
| Dividend income   |   |                           | 770                      |
| Fair value gain on financial assets at fair value through<br>profit or loss |   |                           | 118                      |
| Unallocated expenses  |   |                           | (4,297)                  |
| Finance costs   |   |                           | (5,179)                  |
| Share of profits and losses of associates                                   |   |                           | <u>(2,306)</u>           |
| Profit before tax   |   |                           | <u><u>28,477</u></u>     |
| <b>Other segment information:</b>   |   |                           |                          |
| Loss on disposal of items of property, plant and<br>equipment               | —   | 43                        | 43                       |
| Impairment of accounts receivable   | 661   | —                         | 661                      |
| Reversal of provision for inventories                                       | —   | (152)                     | (152)                    |
| Depreciation  | 5,059   | 59                        | 5,118                    |
| Capital expenditure*  | <u>5</u>  | <u>—</u>                  | <u>5</u>                 |

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

## Geographical information

### (a) Revenue from external customers

|                             | Hong Kong       |                 | Mainland China  |                 | Consolidated    |                 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                             | 2019            | 2018            | 2019            | 2018            | 2019            | 2018            |
|                             | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Segment revenue:            |                 |                 |                 |                 |                 |                 |
| Sales to external customers | <u>15,057</u>   | <u>9,178</u>    | <u>209,051</u>  | <u>187,313</u>  | <u>224,108</u>  | <u>196,491</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\$180,800,000 was derived from sales by the property development and investment business segment to a single customer.

## 3. REVENUE, OTHER INCOME AND GAINS

### Revenue

An analysis of revenue is as follows:

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <i>Revenue from contracts with customers:</i>                                      |                         |                         |
| Income from property development and investment business                           | 188,191                 | 164,375                 |
| Income from trading of medical equipment and home security and automation products | 23,913                  | 20,274                  |
| <i>Revenue from other sources:</i>   |                         |                         |
| Gross rental income  | <u>12,004</u>           | <u>11,842</u>           |
|  | <u>224,108</u>          | <u>196,491</u>          |

(i) *Disaggregated revenue information*

For the period ended 30 September 2019

|  | <b>Property<br/>development<br/>and<br/>investment<br/>business<br/><i>HK\$'000</i></b> | <b>Others<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
|--|---|-----------------------------------|----------------------------------|
| <b>Geographical markets:</b>   |   |                                   |                                  |
| Hong Kong  | —   | 15,057                            | 15,057                           |
| Mainland China   | 188,191   | 8,856                             | 197,047                          |
|  | <u>188,191</u>  | <u>8,856</u>                      | <u>197,047</u>                   |
| Total revenue from contracts with customers<br>recognised at a point in time | <u>188,191</u>  | <u>23,913</u>                     | <u>212,104</u>                   |

For the period ended 30 September 2018

|  | <b>Property<br/>development<br/>and<br/>investment<br/>business<br/><i>HK\$'000</i></b> | <b>Others<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
|--|---|-----------------------------------|----------------------------------|
| <b>Geographical markets:</b>   |   |                                   |                                  |
| Hong Kong  | —   | 9,178                             | 9,178                            |
| Mainland China   | 164,375   | 11,096                            | 175,471                          |
|  | <u>164,375</u>  | <u>11,096</u>                     | <u>175,471</u>                   |
| Total revenue from contracts with customers<br>recognised at a point in time | <u>164,375</u>  | <u>20,274</u>                     | <u>184,649</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.

*Sale of goods*

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

**Other income and gains**

An analysis of other income and gains is as follows:

|   | <b>2019</b>            | 2018            |
|---|------------------------|-----------------|
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Bank interest income  | <b>95</b>              | 921             |
| Dividend income   | <b>1,900</b>           | 770             |
| Fair value gain on financial assets at fair value<br>through profit or loss | —                      | 118             |
| Gross rental income   | <b>3,429</b>           | 4,756           |
| Others  | <b>1,209</b>           | 339             |
|   | <b>6,633</b>           | 6,904           |

#### 4. PROFIT BEFORE TAX

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

|   | <b>2019</b>     | 2018     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Cost of properties sold   | <b>165,837</b>  | 111,392  |
| Cost of inventories sold  | <b>16,300</b>   | 15,128   |
| Provision/(reversal of provision) for inventories, included in cost of inventories sold | <b>259</b>      | (152)    |
| Depreciation  | <b>4,390</b>    | 5,118    |
| Employee benefit expense (including directors' remuneration):                           |                 |          |
| Wages and salaries  | <b>12,690</b>   | 10,651   |
| Pension schemes contributions*  | <b>246</b>      | 232      |
| Less: Amount capitalised  | <b>(802)</b>    | (1,045)  |
|   | <b>12,134</b>   | 9,838    |
| Directors' remuneration:  |                 |          |
| Fees  | <b>300</b>      | 260      |
| Salaries and allowances   | <b>3,185</b>    | 2,288    |
| Pension schemes contributions   | <b>33</b>       | 29       |
|   | <b>3,518</b>    | 2,577    |
| Loss on disposal of an associate^   | <b>493</b>      | —        |
| Loss on disposal of items of property, plant and equipment^                             | <b>133</b>      | 43       |
| Impairment/(reversal of impairment) of accounts receivable^                             | <b>(70)</b>     | 661      |
| Foreign exchange differences, net^  | <b>22</b>       | 945      |

\* At 30 September 2019, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2019: Nil).

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

|                                       | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Interest on bank and other borrowings | 14,040                  | 11,605                  |
| Less: Interest capitalised            | <u>(13,022)</u>         | <u>(6,426)</u>          |
|                                       | <u><u>1,018</u></u>     | <u><u>5,179</u></u>     |

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

|                                 | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Current — Elsewhere             |                         |                         |
| Charge for the period           | 3,390                   | 8,330                   |
| Deferred                        | 734                     | 884                     |
| LAT in Mainland China           | <u>1,177</u>            | <u>7,140</u>            |
| Total tax charge for the period | <u><u>5,301</u></u>     | <u><u>16,354</u></u>    |

## 7. DIVIDEND

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Special interim dividend — HK0.5 cent (2018: Nil)<br>per ordinary share | <u><u>4,890</u></u>     | <u><u>—</u></u>         |

The Company has obtained its shareholders' approval in a special general meeting for a special dividend to the Company's shareholders of HK0.5 cent per ordinary share of the Company out of the proceeds of the consideration of the disposal of Deson Construction International Holdings Limited ("DCIHL"). Further details of the disposal are set out in note 13 to condensed consolidated financial statements.

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 977,880,400 (30 September 2018: 977,880,400) in issue during the period.

No adjustment was made to the basic earnings per share amounts presented for the six months ended 30 September 2019 as the Group had no potential dilutive ordinary shares in issue during the period.

No adjustment was made to the basic earnings per share amounts presented for the six months ended 30 September 2018 as the impact of share options had an anti-dilutive effect on the basic earnings per share amount on 30 September 2018.

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Earnings</b>  |                         |                         |
| Profit attributable to ordinary equity holders of the Company,<br>used in the basic earnings per share calculation | <u>5,202</u>            | <u>12,538</u>           |

## 9. INVESTMENT PROPERTIES

|   | 30 September<br>2019<br><i>HK\$'000</i> | 31 March<br>2019<br><i>HK\$'000</i> |
|---|---|-------------------------------------|
| Carrying amount at beginning of period/year | 1,031,589                               | 1,031,125                           |
| Net gain from fair value adjustment         | —                                       | 66,456                              |
| Exchange realignment                        | <u>(61,719)</u>                         | <u>(65,992)</u>                     |
| Carrying amount at end of period/year       | <u>969,870</u>                          | <u>1,031,589</u>                    |

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

**10. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

|  | <b>30 September<br/>2019<br/>HK\$'000</b> | 31 March<br>2019<br>HK\$'000 |
|--|---|------------------------------|
| <b>Equity investment designated at fair value through other comprehensive income</b> |   |                              |
| Unlisted equity investment, at fair value  |   |                              |
| Fortune Taker Limited  | <u>9,400</u>                              | <u>9,400</u>                 |
| <b>Equity investments at fair value through profit or loss</b>                       |   |                              |
| Unlisted equity investments, at fair value   |   |                              |
| Century Rosy Limited   | 11,686                                    | 11,686                       |
| Deson Development International Holdings Investment Limited                          | 58,092                                    | 58,092                       |
| Excel Castle International Limited   | 38,598                                    | 30,198                       |
| Sky Fox Limited  | 5,404                                     | 5,404                        |
| Pamfleet Shanghai Real Estate Fund II, L.P.  | <u>5,886</u>                              | <u>—</u>                     |
|  | <u>119,666</u>                            | <u>105,380</u>               |

The above equity investments were irrevocably designated at fair value through other comprehensive income or through profit or loss as the Group considers these investments to be strategic in nature.

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

|  | <b>30 September<br/>2019<br/>HK\$'000</b> | 31 March<br>2019<br>HK\$'000 |
|--|---|------------------------------|
| Completed properties held for sale         | 554,905                                   | 771,902                      |
| Properties held for sale under development | <u>240,928</u>                            | <u>202,011</u>               |
|  | <u>795,833</u>                            | <u>973,913</u>               |
| Properties held for sale under development |   |                              |
| — expected to be recovered:                |   |                              |
| Within one year                            | <u>240,928</u>                            | <u>202,011</u>               |

As at 30 September 2019, certain completed properties held for sale and properties held for sale under development of the Group with an aggregate carrying amount of HK\$303,770,000 (31 March 2019: HK\$339,332,000) 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 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:

|                    | <b>30 September<br/>2019<br/>HK\$'000</b> | 31 March<br>2019<br>HK\$'000 |
|--------------------|---|------------------------------|
| Current to 90 days | 35,370                                    | 14,336                       |
| 91 to 180 days     | 1,509                                     | 1,846                        |
| 181 to 360 days    | 9,386                                     | 12                           |
| Over 360 days      | <u>2,069</u>                              | <u>4,461</u>                 |
| Total              | <u><u>48,334</u></u>                      | <u><u>20,655</u></u>         |

## 13. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

Pursuant to the memorandum of understanding dated 21 February 2019 (the "MOU") and a sales and purchase agreement dated 12 April 2019 (the "S&P Agreement"), each of Deson Development Holdings Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands ("BVI"), Sparta Assets Limited, a company incorporated in the BVI, and Mr. Tjia Boen Sien (collectively the "Sellers") has conditionally agreed to sell; and Energy Luck Limited, a company wholly-owned by Mr. Wong Kui Shing, incorporated in the BVI, has conditionally agreed to buy the respective equity interest of the Sellers in DCIHL comprising 361,302,082 shares of DCIHL at an aggregate consideration of approximately HK\$79,486,000 (the "Proposed Disposal"). Further details of the Proposed Disposal are set out in the circular of the Company dated 24 May 2019.

Among the Sellers, the Group would sell its entire equity interest in DCIHL comprising 311,769,867 ordinary shares of DCIHL at the consideration of approximately HK\$68,589,000. As of 31 March 2019, the Group has received an earnest sum of approximately HK\$1,726,000 from Energy Luck Limited in accordance with the MOU.

Among the conditions precedent to the completion of the Proposed Disposal in accordance with the terms of the S&P Agreement, the Company has obtained its shareholders' approval in a special general meeting on 11 June 2019 (the "SGM") on entering into the S&P Agreement and the Proposed Disposal in relation to the equity interest held by the Group, and has fulfilled such condition to the Proposed Disposal. Upon completion of the Proposed Disposal, DCIHL and its subsidiaries (the "DCIHL Group") would no longer be associates to the Group and a gain/loss on disposal would be recorded by the Group upon the derecognition of the Group's interests in the DCIHL Group. The completion of the S&P Agreement took place on 18 June 2019, and the Group recorded a loss on disposal of HK\$493,000, net of directly attributable transaction costs (note 4).

In view of the aforementioned plan to dispose of this equity interest in DCIHL, the Group classified its interests in the DCIHL Group as a non-current asset held for sale as at 31 March 2019.

An analysis of the non-current asset classified as held for sale as at 31 March 2019 is as follows:

|                           |                                     |
|---------------------------|-------------------------------------|
|                           | 31 March<br>2019<br><i>HK\$'000</i> |
| Investments in associates | <u>68,589</u>                       |

#### 14. 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<br>2019<br><i>HK\$'000</i> | 31 March<br>2019<br><i>HK\$'000</i> |
|--------------------|---|-------------------------------------|
| Current to 90 days | 4,328                                   | 2,997                               |
| 91 to 180 days     | —                                       | —                                   |
| 181 to 360 days    | 283                                     | 42                                  |
| Over 360 days      | <u>3,464</u>                            | <u>3,616</u>                        |
| Total              | <u>8,075</u>                            | <u>6,655</u>                        |

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

#### 15. SHARE CAPITAL

|  | 30 September<br>2019<br><i>HK\$'000</i> | 31 March<br>2019<br><i>HK\$'000</i> |
|--|---|-------------------------------------|
| Authorised:                                    |   |                                     |
| 1,500,000,000 ordinary shares of HK\$0.10 each | <u>150,000</u>                          | <u>150,000</u>                      |
| Issued and fully paid:                         |   |                                     |
| 977,880,400 ordinary shares of HK\$0.10 each   | <u>97,788</u>                           | <u>97,788</u>                       |

## 16. RELATED PARTY TRANSACTIONS

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

|   | <i>Notes</i> | <b>2019</b><br><b><i>HK\$'000</i></b> | 2018<br><i>HK\$'000</i> |
|---|--------------|---------------------------------------|-------------------------|
| Management fees received from a related company | (i)          | <b>28</b>                             | 28                      |
| Management fees to an associate                 | (ii)         | <b>25</b>                             | 59                      |
| Rental income received from a related company   | (iii)        | <b>153</b>                            | 153                     |
| Rental income received from an associate        | (iv)         | <b>543</b>                            | 858                     |

*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. The transactions have ceased to be related party transactions, continuing connected transactions or connected transaction since 18 June 2019.
- (iii) During the period, rental income was charged to Fitness Concept Limited (“FCL”) at approximately HK\$26,000 (2018: HK\$26,000) per month. Mr. Tjia Boen Sien 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 period, rental income was charged to Deson Development Limited at HK\$209,000 (2018: HK\$143,000) per month as mutually agreed between the parties. The transactions have ceased to be related party transactions, continuing connected transactions or connected transactions since 18 June 2019.
- (b) Outstanding balances with related parties:
- The balances with associates and related companies 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.

## 17. 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<br>2019<br><i>HK\$'000</i> | 31 March<br>2019<br><i>HK\$'000</i> | 30 September<br>2019<br><i>HK\$'000</i> | 31 March<br>2019<br><i>HK\$'000</i> |
| <b>Financial assets</b>   |   |                                     |   |                                     |
| Equity investment designated at fair value through other comprehensive income | 9,400                                   | 9,400                               | 9,400                                   | 9,400                               |
| Equity investments at fair value through profit or loss                       | <u>119,666</u>                          | <u>105,380</u>                      | <u>119,666</u>                          | <u>105,380</u>                      |
| <b>Financial liabilities</b>  |   |                                     |   |                                     |
| Interest-bearing bank and other borrowings                                    | <u>192,500</u>                          | <u>237,791</u>                      | <u>192,500</u>                          | <u>237,791</u>                      |

The Group's corporate finance team is headed by the financial controller who 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 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 from/to associates and related companies, and the current portion of interest-bearing bank and other borrowings 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:

In the prior period, the fair values of listed equity investments were based on quoted market prices.

The fair values of unlisted equity investments have been estimated using a market-based valuation technique based on assumptions that are supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price-to-book (“P/B”) multiple and price-to-earnings (“P/E”) 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. 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 with portion 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 2019 and 31 March 2019.

#### **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 2019**

|   | Fair value measurement using   |   |   | Total<br><i>HK\$’000</i> |
|---|--|---|---|--------------------------|
|   | Quoted<br>prices<br>in active<br>markets<br>(Level 1)<br><i>HK\$’000</i> | Significant<br>observable<br>inputs<br>(Level 2)<br><i>HK\$’000</i> | Significant<br>unobservable<br>inputs<br>(Level 3)<br><i>HK\$’000</i> |                          |
| Equity investment designated at fair value through other comprehensive income | —  | —   | 9,400   | 9,400                    |
| Equity investments at fair value through profit or loss                       | —  | —   | 119,666   | 119,666                  |
|   | <u>—</u>   | <u>—</u>  | <u>119,666</u>  | <u>119,666</u>           |

As at 31 March 2019

|  | Fair value measurement using   |   |   | Total<br><i>HK\$'000</i> |
|--|--|---|---|--------------------------|
|  | Quoted<br>prices<br>in active<br>markets<br>(Level 1)<br><i>HK\$'000</i> | Significant<br>observable<br>inputs<br>(Level 2)<br><i>HK\$'000</i> | Significant<br>unobservable<br>inputs<br>(Level 3)<br><i>HK\$'000</i> |                          |
| Equity investment designated at fair value<br>through other comprehensive income | —  | —   | 9,400   | 9,400                    |
| Equity investments at fair value through<br>profit or loss                       | —  | —   | 105,380   | 105,380                  |

As at 30 September 2019, 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\$192,500,000 (31 March 2019: HK\$237,791,000). 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 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 (2018: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's major business segments during the Reporting Period comprise (i) property development and investment; and (ii) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services.

The Group's turnover for the period ended 30 September 2019 recorded at approximately HK\$224,108,000 (period ended 30 September 2018: HK\$196,491,000), which represented an increase of 14.1% compared with corresponding period last year.

#### Property development and investment business

The Group's turnover for the period ended 30 September 2019 from this segment recorded at approximately HK\$200,195,000 (period ended 30 September 2018: HK\$176,217,000), which represented a significant increase of 13.6% as compared with last period. The turnover from this segment is arising from sales of properties at the PRC and rental income from investment properties.

##### *(i) Sales of properties*

Turnover increased from approximately HK\$164,375,000 for the period ended 30 September 2018 to approximately HK\$188,191,000 for the period ended 30 September 2019, which represents a significant increase of 14.5%. Sales noted in last reporting period mainly contributed by the sales of two residential blocks and shops at the street at the World Expo (the "World Expo"), Kaifeng, the PRC. In this Reporting Period, the sales was mainly contributed by the sales of the whole Zhu Ji Lane ("珠璣巷") project to a single customer at a consideration of RMB160,000,000. The residential blocks and shops at the street at the World Expo have mostly been sold out during the year ended 31 March 2019.

##### *(ii) Rental income from investment properties*

Turnover increased slightly from approximately HK\$11,842,000 for the period ended 30 September 2018 to approximately HK\$12,004,000 for the period ended 30 September 2019, which represents an increase of 1.4%. The increase is because during the period more units were rented out at Kaifeng, the PRC.

Segment operating profit generated from this segment for the Reporting Period amounted to approximately HK\$16,420,000 (30 September 2018: HK\$36,538,000). The gross profit for the sales of Zhu Ji Lane ("珠璣巷") in the current period is about 12% while the average gross profit for the sales of Word Expo in the same period last year is about 30%. The decrease in gross profit margin is due to the drop of average selling price of PRC property market. As a result, significant drop of segment operating profit from this segment was noted even the turnover increased.

## **Trading of medical equipment and home security and automation products and the provision of the related installation and maintenance services business**

The Group's turnover for the period ended 30 September 2019 from this segment recorded at approximately HK\$23,913,000 (30 September 2018: HK\$20,274,000), which represented an increase of 17.9% as compared with last period. The significant increase is mainly due to the increase in the sales of medical equipment for the Tseung Kwan O hospital project.

Segment operating profit generated from this segment for the Reporting Period amounted to approximately HK\$3,933,000 (30 September 2018: HK\$1,912,000). The significant increase is because of the increase in gross profit with the increase in sales of medical equipment.

The net profit attributable to owners of the Company for the period ended 30 September 2019 amounted to approximately HK\$5,202,000 as compared with the net profit attributable to owners of the Company for the period ended 30 September 2018 amounted to approximately HK\$12,538,000. The significant decrease is due to a drop of gross profit noted in the project development and investment business segment.

## **FINANCIAL REVIEW**

### **Turnover**

For the six months ended 30 September 2019, the Group's turnover amounted to approximately HK\$224 million, increased by 14.1% as compared to the same period last year. Such increase was mainly contributed by the sales of the whole Zhu Ji Lane (“珠璣巷”) project (total saleable area approximately 13,000 square meters (“sq. m.”)) to a single customer during the period.

Turnover generated from property development and investment business, trading of medical equipment and home securities and automation products amounted to approximately HK\$200 million and approximately HK\$24 million respectively, which represent an increase of 13.6% and an increase of 17.9% respectively as compared the same period last year.

### **Gross profit margin**

During the six months ended 30 September 2019, the Group's gross profit margin was approximately 19%, down by 17 percentage point as compared to last period's 36%. This was mainly driven by the fact that the gross profit for the sales of Zhu Ji Lane (“珠璣巷”) in the current period is about 12% while the average gross profit for the sales of Word Expo in the same period last year is about 30%. The decrease in gross profit margin is due to the drop of average selling price of the PRC property market. As a result, a significant drop of the segment operating profit from this segment was noted even though the turnover increased.

### **Share of profits and losses of associates**

For the six months ended 30 September 2019, the Group's share of loss of associates amounted to approximately HK\$2 million, decreased by 34.6% as compared to the same period last year. It is because of the disposal of its loss-making associate, Deson Construction International Holdings Limited, in June 2019.

### **Liquidity and financial resources**

As at 30 September 2019, the Group had total assets of approximately HK\$2,283,430,000, which have been financed by total liabilities, shareholders' equity and non-controlling interests of approximately HK\$721,825,000, approximately HK\$1,565,090,000 and debit balance approximately HK\$3,485,000, respectively. The Group's current ratio at 30 September 2019 was 2.55 compared to 2.12 as at 31 March 2019.

As at 30 September 2019, the gearing ratio for the Group was 18% (31 March 2019: 19%). It was calculated based on the non-current liabilities of approximately HK\$352,497,000 (31 March 2019: HK\$384,180,000) and long term capital (equity and non-current liabilities) of approximately HK\$1,914,102,000 (31 March 2019: HK\$2,031,521,000).

### **Capital expenditure**

Total capital expenditure for the six months ended 30 September 2019 was approximately HK\$250,000, which were mainly used in the decoration of the office in the PRC.

### **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\$16,000,000.

## **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\$200,990,000 (31 March 2019: HK\$208,419,000);
- (ii) the pledge of certain of the Group's investment properties situated in the PRC of HK\$544,500,000 (31 March 2019: HK\$579,150,000);
- (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\$303,770,000 (31 March 2019: HK\$339,332,000); and
- (iv) the pledge of the Group's deposits of HK\$3,000,000 (31 March 2019: HK\$3,000,000).

## **Treasury policies**

The Group has 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.

## PROSPECT

### Property development and investment

On 9 June 2005, the Group was granted the land use right of a development site in the Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 221,000 sq. m.. The name of the project is “Century Place, Kaifeng”. Up to now, construction for a total gross floor area of 190,000 sq. m. has been completed and the total sales contract sum achieved amounted to approximately RMB757 million. The remaining portions of the land (section G) is under construction, and it is expected that the construction will be completed by last quarter of 2020 and the pre-sale will start in the second quarter of 2020.

|           | CURRENT USE  | AREA<br>( <i>approximate<br/>sq. m.</i> ) |
|-----------|--|---|
| 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 the project is “**World Expo, Kaifeng**”, which has been developed into a residential and commercial complex on the site with an estimated gross floor area of approximately 95,000 sq. m.. Up to the reporting date, gross floor area of approximately 80,000 sq. m. has been completed. It includes two commercial buildings with gross floor area of approximately 13,900 sq. m.; (ii) an animation theatre with gross floor area of approximately 5,000 sq. m.; (iii) three residential buildings with gross floor area of approximately 59,300 sq. m.; and (iv) 25 street shops with gross floor area of approximately 2,000 sq. m.. The total sales contract sum achieved from the sales amounted to approximately RMB466 million. It is expected that the construction of the whole project will be completed by the first quarter of 2020. The parts under construction is a hotel (gross floor area of approximately 14,800 sq. m.). An agreement has been signed with a hotel management company and they will operate the hotel for the Group. It is expected that the hotel will commence operation in December 2019. Regarding the animation theatre, the Board decided to terminate the animation business and has been seeking for potential buyer for the animation theatre together with the remaining properties at the World Expo, Kaifeng, the PRC.

In September 2014, the Group was granted another land use right in the city of Kaifeng, 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. m.. It was put in use in the 27th World Hakka Conference held in October 2014. As of now, the project has been completed. The Group has entered into a sale and purchase agreement with an independent third party with consideration of RMB160,000,000 and the transaction has been completed during the period.

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 as at the date of this interim report.

***Formation of a joint venture company for the property investment and/or redevelopment in Hong Kong***

On 15 October 2018, the Group has entered into a subscription agreement with Excel Castle International Limited (“Excel Castle”) (“**Subscription Agreement**”) pursuant to which the Group has conditionally agreed to subscribe for the subscription shares, representing 6% of the enlarged issued share capital of Excel Castle at the consideration of US\$900,000 (equivalent to approximately HK\$7.0 million) (“**Subscription**”). On the same date, the Group, Excel Castle and Southern Victory Investments Limited (“SVIL”) have entered into a shareholders’ agreement (“**Shareholders’ Agreement**”) governing the affairs of Excel Castle and the provision of the shareholder’s loan with an amount up to HK\$62,980,000, which took effect on the completion date of the Subscription.

Excel Castle is an investment holding company to hold directly a company incorporated in Hong Kong that is engaged in the business of investment holding, property investment and/or redevelopment in Hong Kong and which in turn holds eight other wholly-owned subsidiaries (together with Excel Castle, collectively referred to as “**Excel Castle Group**”).

Each of SVIL and the Group agrees to make available a maximum contribution to Excel Castle of approximately HK\$987 million and HK\$63 million, respectively in various instalments in such amounts in proportion of their shareholding on such dates as from time to time to be determined by the board of directors of Excel Castle for the purpose of financing the business of the Excel Castle Group and/or the redevelopment project of the Excel Castle Group.

The Directors (including the independent non-executive Directors) consider that the Subscription Agreement and the Shareholders' Agreement are on normal commercial terms. Taking into account the expected return to be generated from the proposed property development project through the investment in Excel Castle, the Directors consider that the terms of the Subscription Agreement and the Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The transaction was completed on 9 November 2018. As the Group does not have significant influence over Excel Castle, the investment is classified as equity investment at fair value through profit or loss.

Up to the reporting date, total investment made by the Group is approximately HK\$54 million.

Excel Castle Group is engaged in the business of investment holding, property investment and/or redevelopment in Hong Kong. As at the reporting date, Excel Castle Group has planned to acquire an old commercial building at Tsim Sha Tsui ("**TST Property**") for redevelopment. 126 out of 127 shares of the building has been acquired from the old landlord of the TST Property. The remaining one is under compulsory auction and it is expected to be completed in 2020. Excel Castle Group expected to develop TST property into a modern commercial building with more saleable area.

#### ***Formation of companies for the property investment and/or redevelopment in Shanghai***

The Group has invested into two property projects in Shanghai, being the property redevelopment of residential apartments at Wuyi Road, Changning District, Shanghai ("**Project Embassy**") and properties redevelopment of offices and carparks at West Huaihai Road, Changning District, Shanghai, the PRC ("**Project Stone**"). Total investment on these two projects is about HK\$20 million.

Project Embassy is a low-rise building in Shanghai located next to the Embassy of Belgium. The building contains eight apartments with a total gross floor area of approximately 867 sq. m.. It is co-invested with an independent third party through a company registered in BVI in which the Group has 10% equity interest.

Project Stone is an office building, known as Shanghai City Point. It is located in a grade A mixed- use building in Changning district. The building contains four floors with total gross floor area of approximately 6,668 sq. m. and five underground parking spaces. This project is co-invested with the same independent third party as Project Embassy through a company registered in BVI in which the Group has 5% equity interest.

Project Embassy and Project Stone have been refurbished and seeking for potential buyers. As the Group does not have significant influence over the BVI companies, the investments are classified as equity investments at fair value through profit or loss.

Regarding the Starway Parkview South Station Hotel project (“**Project Parkview**”), it is located in Xuhui West Bund area, adjacent to Shanghai Botanical garden. The hotel was built in 2003 with a total gross floor area of approximately 7,319 sq. m. and 56 rooms. It is co-invested with an independent third party and the Group has 30% equity interest, which is accounted for as an associate. The hotel has been converted into 66-rooms rental apartments with plenty of shared common area combined with mixed retail and modern gym, swimming pool and tennis court. The renovation work of the Shanghai Parkview has been completed and renamed as “Cohost West Bund”, a co-living apartment in Shanghai and the Group will focus on asset management and leasing business for it.

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.

### ***Participation in a real estate investment fund***

On 23 April 2019, the Group has entered into a general partner shareholders’ agreement with Gusto Brave Limited (“**Pamfleet**”) and Pamfleet China GP II Limited (“**Pamfleet China**”) to act as a general partner of a fund manager for property investment.

The Group owns 30% equity interest in Pamfleet China. Pamfleet is an independent and privately-owned real estate investment advisor with offices in Hong Kong, Singapore and Shanghai. Their experienced team seeks to create long-term value through knowledgeable deal sourcing, disciplined acquisitions, active asset management, rebranding and refurbishment with an emphasis on design, anticipating tenant and community requirements and delivering good value for money. Members of the management team of Pamfleet have been involved in the selection and management of real estate investments throughout Asia for over 20 years.

Pamfleet and the Group operate with a flat organisational structure, which allows and encourages collaboration.

Up to the reporting date, the fund managed by Pamfleet China is Pamfleet Shanghai Real Estate Fund II (“**PSREFII**”). The Group has also acted as a limited partner (hold 1.5%) of PSREFII. PSREFII will seek to capitalise on Pamfleet’s track record of its successful investments in under-performing, under-priced and distressed real estate with repositioning and value-add potential in Shanghai and other tier-one cities in Mainland China. The investment strategy of PSREFII is to identify, structure and execute successful asset repositioning investments in Shanghai and other tier-one cities in Mainland China. Up to the reporting date, the total investment made by the Group is approximately HK\$5,900,000.

Up to the reporting date, there is only one project operated by PSREFII. The name of the project is Project Hub.

The property is located at the junction of Daning Road and Gonghexin Road within Daning Commercial Area of Jing An District. It has a total gross floor area of around 250,000 sq. m., with around 200,000 sq. m. above ground and 50,000 sq. m. below ground. PSREFII targets to build shop and office with salable area of 37,547 sq. m. The retail within the development is a popular regional lifestyle hub and shopping destination. Major tenants are expected to be food and beverage, entertainment and education.

### **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 has set up an e-solution company that will be engaged in the following business activities:

#### ***i) customs clearance and logistics services***

Based on our experience and network in Indonesia and the PRC, we will provide customs clearance and logistics services to our potential customers who carry out trading services between these two countries. The services include customs clearance, inspection, insurance, warehouse storage, foreign exchange settlement, and import/export policy consultation.

*ii) general trading and e-commerce services*

We will import foreign products into Mainland China. Our potential customers include distributors and large supermarkets. Our online business platform partners include HIPAC (“海拍客”) and PINDUODUO (“拼多多”). Our products include baby products and beverage products.

**Disposal of Deson Construction International Holdings Limited (“DCIHL”) and its subsidiaries**

Reference is made to the joint announcement of the Company, DCIHL and Energy Luck Limited (“**Energy Luck**”) dated 12 April 2019 (the “**Joint Announcement**”). Unless otherwise defined, terms used herein have the same meanings as those defined in the Joint Announcement.

On 12 April 2019, Deson Development Holdings Limited (“**DDHL**”), Sparta Assets Limited (“**Sparta**”) and Mr. Tjia Boen Sien (“**Mr. Tjia**”) as sellers, Energy Luck as purchaser entered into the Sale and Purchase Agreement whereby each of DDHL, Sparta and Mr. Tjia had conditionally agreed to sell, and Energy Luck has conditionally agreed to purchase from each of DDHL, Sparta and Mr. Tjia, the Sale Shares, being in aggregate 361,302,082 DCIHL Shares, representing approximately 36.13% of the issued share capital of DCIHL at the Consideration of approximately HK\$79,486,000 (representing a purchase price of HK\$0.22 per Sale Share) (“**Transaction**”).

Upon the Sale and Purchase Completion, each of the Company, DDHL, Sparta and Mr. Tjia had ceased to have any shareholding interest in DCIHL and DCIHL had ceased to be an associated company of the Company.

DCIHL is an investment holding company and the principal activities of its subsidiaries consist of (a) the construction business, as a main contractor and fitting-out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau, and other construction related business; (b) investment in securities; and (c) investment in properties.

The Board considered that the Disposal provided an attractive exit opportunity for the Group to realise its long term investment in DCIHL. The Disposal enabled the Group to recycle capital into existing property development and investment business. The Directors are of the view that the Disposal will benefit the Group by realising its investment and also strengthen the liquidity and overall financial position of the Group. Having regard to the prevalent unstable economy and financial market conditions, the purpose of use of proceeds for development and expansion of the existing businesses, for general working capital purpose and for the return to the shareholders of the Company, the Board (including the independent non-executive directors of the Company) considered that the

terms of the Sale and Purchase Agreement, the Sale Price and the Disposal, which were determined on an arm's length basis, were fair and reasonable and on normal commercial terms and were in the interests of the Company and its Shareholders as a whole.

The Transaction had been approved by the shareholders of the Company at the Special General Meeting of the Company held on 11 June 2019.

For details, please refer to the Joint Announcement and the Circular of the Company dated 24 May 2019.

## **SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES**

Except for the disposal of DCIHL as disclosed under the section headed “**Prospects — Disposal of Deson Construction International Holdings Limited (“DCIHL”) and its subsidiaries**”, in the section headed “**Prospect**” during the six months ended 30 September 2019, there has been no other significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Group.

## **FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

Save as disclosed in this announcement, the Group did not have other plans for material investment or capital assets as at 30 September 2019.

## **HUMAN RESOURCES**

As at 30 September 2019, the Group had 125 employees, 83 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the period under review increased to approximately HK\$12.1 million from approximately HK\$9.8 million in the same period last year. The increase was mainly due to the salary increment under the yearly review in the current period.

The remuneration policy and package of the Group's employees are reviewed and approved by the Directors. Apart from pension funds, in order to attract and retain capable and motivated workforce, the 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 an interim dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: 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 2019.

## **CAPITAL STRUCTURE**

Details of the changes of the capital structure of the Company during the six months ended 30 September 2019 are set out in the note 15 to the condensed financial statements.

## **CORPORATE GOVERNANCE**

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2019, 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 2019, save for the deviation from the Code Provision A.4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

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

#### ***Code Provision A.4.1***

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2019.

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 2019, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprises three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The interim results of the Company for the six months ended 30 September 2019 have not been audited by the Company's independent auditors. The Audit Committee held a meeting on 25 November 2019. 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 2019 interim report and interim financial statements of the Group have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

#### **NOMINATION COMMITTEE**

The Company has a nomination committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant appropriate blend of skills, knowledge and experience. The nomination committee currently comprises two executive Directors, namely Mr. Tjia, 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, 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 2019 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 Deputy Chairman*

Hong Kong, 25 November 2019

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