



*Deson Development International Holdings Limited*

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

## ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2013

The board of directors (the “Board”) of Deson Development International Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2013, together with the comparative figures for the year ended 31 March 2012 as follows:

### CONSOLIDATED INCOME STATEMENT

*Year ended 31 March 2013*

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
REVENUE	3	<b>788,095</b>	817,580
Cost of sales		<b>(654,975)</b>	(669,638)
Gross profit		<b>133,120</b>	147,942
Other income and gains	3	<b>44,961</b>	31,765
Fair value gain on investment properties, net		<b>218</b>	1,722
Loss on disposal of a subsidiary		–	(60)
Administrative expenses		<b>(84,901)</b>	(81,007)
Other operating income/(expenses), net		<b>(2,652)</b>	2,621
Finance costs	4	<b>(3,260)</b>	(2,782)
Share of profits and losses of:			
A jointly-controlled entity		<b>(16)</b>	(9)
Associates		<b>450</b>	6,340
PROFIT BEFORE TAX		<b>87,920</b>	106,532
Income tax expense	5	<b>(39,131)</b>	(34,161)
PROFIT FOR THE YEAR		<b>48,789</b>	72,371
Attributable to:			
Owners of the Company		<b>49,135</b>	72,184
Non-controlling interests		<b>(346)</b>	187
		<b>48,789</b>	72,371
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	6		
Basic		<b>8.62 cents</b>	12.71 cents
Diluted		<b>8.62 cents</b>	12.70 cents

Details of the dividends paid and proposed for the year are disclosed in the section “Dividend” below.

\* For identification purpose only

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>48,789</u>	<u>72,371</u>
OTHER COMPREHENSIVE INCOME		
Surplus on revaluation of leasehold land and buildings	48,007	16,164
Income tax effect	<u>(7,982)</u>	<u>(3,225)</u>
	40,025	12,939
Share of other comprehensive income of associates	1,532	111
Exchange differences on translation of foreign operations	<u>5,067</u>	<u>14,649</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>46,624</u>	<u>27,699</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>95,413</u>	<u>100,070</u>
Attributable to:		
Owners of the Company	95,728	98,197
Non-controlling interests	<u>(315)</u>	<u>1,873</u>
	<u>95,413</u>	<u>100,070</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>158,083</b>	126,757
Investment properties		<b>169,375</b>	225,060
Goodwill		–	–
Investment in a jointly-controlled entity		–	–
Investments in associates		<b>939</b>	5,328
Available-for-sale investments		<b>21,641</b>	21,675
		<hr/>	<hr/>
Total non-current assets		<b>350,038</b>	378,820
<b>CURRENT ASSETS</b>			
Amounts due from associates		<b>4,707</b>	4,636
Amount due from an investee		<b>100</b>	115
Amount due from a related company		–	70
Properties held for sale under development and properties held for sale		<b>942,959</b>	871,158
Gross amount due from contract customers		<b>8,682</b>	5,638
Inventories		<b>7,529</b>	4,239
Accounts receivable	7	<b>102,682</b>	37,596
Prepayments, deposits and other receivables		<b>34,303</b>	41,834
Cash and cash equivalents		<b>97,931</b>	33,549
Pledged deposits		<b>64,207</b>	93,418
		<hr/>	<hr/>
		<b>1,263,100</b>	1,092,253
Assets of a disposal group classified as held for sale		<b>70,659</b>	–
		<hr/>	<hr/>
Total current assets		<b>1,333,759</b>	1,092,253
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		<b>58,222</b>	29,577
Accounts payable	8	<b>44,021</b>	21,104
Other payables and accruals		<b>183,195</b>	186,663
Amounts due to associates		<b>48</b>	5,924
Amounts due to non-controlling shareholders		<b>1,500</b>	3,540
Amount due to a related company		<b>761</b>	–
Tax payable		<b>111,582</b>	79,570
Interest-bearing bank borrowings		<b>231,460</b>	323,840
		<hr/>	<hr/>
		<b>630,789</b>	650,218
Liabilities directly associated with the assets of a disposal group classified as held for sale		<b>15,180</b>	–
		<hr/>	<hr/>
Total current liabilities		<b>645,969</b>	650,218
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>687,790</b>	442,035

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

31 March 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
NET CURRENT ASSETS	<u>687,790</u>	<u>442,035</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,037,828</u>	<u>820,855</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	150,223	14,880
Deferred tax liabilities	39,098	35,877
Total non-current liabilities	<u>189,321</u>	<u>50,757</u>
Net assets	<u><u>848,507</u></u>	<u><u>770,098</u></u>
EQUITY		
<b>Equity attributable to owners of the Company</b>		
Issued capital	56,077	57,272
Reserves	779,918	702,455
Proposed final dividend	6,695	5,719
	<u>842,690</u>	<u>765,446</u>
<b>Non-controlling interests</b>	<u>5,817</u>	<u>4,652</u>
Total equity	<u><u>848,507</u></u>	<u><u>770,098</u></u>

## NOTES TO FINANCIAL STATEMENTS

### 1. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severn Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Asset</i>

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly deferred tax has been determined on the basis of recovery through use. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

### 2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2013

	Construction business <i>HK\$'000</i>	Property development and investment business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>				
Sales to external customers	561,191	199,661	27,243	788,095
Other income and gains	6,974	35,207	96	42,277
Revenue	568,165	234,868	27,339	<u>830,372</u>
<b>Segment results</b>				
Operating profit	9,090	85,116	100	94,306
<i>Reconciliation:</i>				
Interest income				2,247
Dividend income				437
Unallocated expenses				(6,244)
Finance costs				(3,260)
Share of loss of a jointly-controlled entity				(16)
Share of profits and losses of associates				450
Profit before tax				<u>87,920</u>
<b>Segment assets</b>				
	232,551	1,183,529	11,780	1,427,860
<i>Reconciliation:</i>				
Investments in associates				939
Corporate and other unallocated assets				184,339
Assets of a disposal group classified as held for sale				70,659
Total assets				<u>1,683,797</u>

NOTES TO FINANCIAL STATEMENTS (continued)

2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2013 (continued)

	Construction business HK\$'000	Property development and investment business HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment liabilities</b>	122,498	158,702	4,397	285,597
<i>Reconciliation:</i>				
Liabilities directly associated with the assets of a disposal group classified as held for sale				15,180
Corporate and other unallocated liabilities				534,513
Total liabilities				<u>835,290</u>
<b>Other segment information:</b>				
Fair value (gain)/loss of investment properties	(1,353)	1,135	–	(218)
Loss on disposal of items of property, plant and equipment	68	–	19	87
Impairment of other receivables	–	2,761	–	2,761
Reversal of impairment of accounts receivable	(85)	–	(24)	(109)
Provision for inventories	–	–	980	980
Depreciation	3,695	1,142	97	4,934
Capital expenditure	<u>601</u>	<u>429</u>	<u>114</u>	<u>1,144*</u>

\* Capital expenditure represents additions to property, plant and equipment and investment properties.

**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**2. OPERATING SEGMENT INFORMATION** *(continued)*

**Year ended 31 March 2012**

	Construction business <i>HK\$ '000</i>	Property development and investment business <i>HK\$ '000</i>	Others <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Segment revenue:</b>				
Sales to external customers	475,091	322,294	20,195	817,580
Other income and gains	4,240	18,826	165	23,231
Revenue	479,331	341,120	20,360	<u>840,811</u>
<b>Segment results</b>				
Operating profit	9,960	89,672	1,093	100,725
<i>Reconciliation:</i>				
Interest income				2,070
Loss on disposal of a subsidiary				(60)
Gain on disposal of an associate				6,464
Unallocated expenses				(6,202)
Finance costs				(2,782)
Impairment of an amount due from a jointly-controlled entity				(14)
Share of loss of a jointly-controlled entity				(9)
Share of profits and losses of associates				6,340
Profit before tax				<u>106,532</u>
<b>Segment assets</b>				
	143,388	1,165,501	7,651	1,316,540
<i>Reconciliation:</i>				
Investments in associates				5,328
Corporate and other unallocated assets				149,205
Total assets				<u>1,471,073</u>

## NOTES TO FINANCIAL STATEMENTS (continued)

### 2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2012 (continued)

	Construction business HK\$'000	Property development and investment business HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment liabilities</b>	82,299	161,217	1,272	244,788
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				456,187
Total liabilities				<u>700,975</u>
<b>Other segment information:</b>				
Fair value gain of investment properties	–	(1,722)	–	(1,722)
Loss/(gain) on disposal of items of property, plant and equipment	97	(21)	33	109
Impairment of other receivables	109	–	–	109
Reversal of impairment of accounts receivable	(1,625)	–	(989)	(2,614)
Provision for inventories	–	–	512	512
Impairment of goodwill	–	–	606	606
Depreciation	3,643	1,355	92	5,090
Capital expenditure	269	664	55	988*

\* Capital expenditure represents additions to property, plant and equipment and investment properties.

#### Geographical information

(a) Revenue from external customers

	2013 HK\$'000	2012 HK\$'000
Hong Kong	360,374	299,073
Mainland China	427,721	518,507
	<u>788,095</u>	<u>817,580</u>

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

## NOTES TO FINANCIAL STATEMENTS (continued)

### 2. OPERATING SEGMENT INFORMATION (continued)

#### Geographical information (continued)

##### (b) Non-current assets

	2013 HK\$'000	2012 HK\$'000
Hong Kong	137,625	93,282
Mainland China	189,833	258,535
	<u>327,458</u>	<u>351,817</u>

The non-current assets information above is based on the locations of the assets and excludes investment in a jointly-controlled entity, investments in associates and available-for-sale investments.

#### Information about a major customer

During the year, revenue of approximately HK\$89,508,000 (2012: Nil) was derived from sales by property development and investment segment to a single customer.

### 3. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Revenue</b>		
Income from construction contracting and related business	561,191	475,091
Income from property development and investment business	199,661	322,294
Income from trading of medical equipment and home security and automation products, and provision of related installation and maintenance services	27,243	20,195
	<u>788,095</u>	<u>817,580</u>
<b>Other income and gains</b>		
Bank interest income	2,247	2,070
Dividend income	437	–
Gross rental income	34,546	17,812
Gain on disposal of an associate	–	6,464
Others	7,731	5,419
	<u>44,961</u>	<u>31,765</u>

## NOTES TO FINANCIAL STATEMENTS (continued)

### 4. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years and total interest expense on financial liabilities not at fair value through profit or loss	30,177	18,455
Less: Interest capitalised	<u>(26,917)</u>	<u>(15,673)</u>
	<u><u>3,260</u></u>	<u><u>2,782</u></u>

### 5. INCOME TAX

No Hong Kong profits tax has been provided as the Group's subsidiaries either did not generate any assessable profits arising in Hong Kong during the year or have available tax losses brought forward from prior years to offset the assessable profits generated during the year (2012: Nil). 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.

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong		
Overprovision in prior years	(14)	–
Current-Elsewhere		
Charge for the year	17,048	13,186
Underprovision/(overprovision) in prior years	329	(88)
Deferred	4,480	2,747
LAT in Mainland China	<u>17,288</u>	<u>18,316</u>
Total tax charge for the year	<u><u>39,131</u></u>	<u><u>34,161</u></u>

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 569,893,267 (2012: 568,102,732) in issue during the year.

In prior year, the calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

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

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

	<b>Group</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<b>49,135</b>	72,184
	<u>          </u>	<u>          </u>
	<b>Number of shares</b>	
	<b>2013</b>	2012
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>569,893,267</b>	568,102,732
Effect of dilution-weighted average number of ordinary shares:		
Share options	–	94,875
	<u>          </u>	<u>          </u>
	<b>569,893,267</b>	568,197,607
	<u>          </u>	<u>          </u>

The Group had no potentially dilutive ordinary shares in issue during the year.

### 7. ACCOUNTS RECEIVABLE

	<b>Group</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable	<b>99,664</b>	42,642
Impairment	<b>(4,866)</b>	(12,963)
	<u>          </u>	<u>          </u>
	<b>94,798</b>	29,679
	<u>          </u>	<u>          </u>
Retention monies receivable	<b>7,884</b>	7,917
	<u>          </u>	<u>          </u>
	<b>102,682</b>	37,596
	<u>          </u>	<u>          </u>

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

## NOTES TO FINANCIAL STATEMENTS (continued)

### 7. ACCOUNTS RECEIVABLE (continued)

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

	<b>Group</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	87,625	12,668
91 to 180 days	1,637	1,053
181 to 360 days	3,998	10,154
Over 360 days	1,538	5,804
	<hr/>	<hr/>
Retention monies receivable	94,798	29,679
	<hr/>	<hr/>
Total	<b>102,682</b>	<b>37,596</b>
	<hr/> <hr/>	<hr/> <hr/>

### 8. ACCOUNTS PAYABLE

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

	<b>Group</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	28,453	7,409
91 to 180 days	3,045	15
181 to 360 days	6,056	4,677
Over 360 days	6,467	9,003
	<hr/>	<hr/>
	<b>44,021</b>	<b>21,104</b>
	<hr/> <hr/>	<hr/> <hr/>

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

### 9. BUSINESS COMBINATION

- (a) On 14 November 2012, the Group acquired an additional 60% equity interest in an associate, Fortune On Engineering Limited ("Fortune On") and assumed an amount due to Fortune On of HK\$24,756, at a cash consideration of HK\$49. After the acquisition, Fortune On has become a wholly-owned subsidiary of the Group. Fortune On was dormant at the time of acquisition. The purchase consideration for the acquisition was in form of cash and paid on 14 November 2012.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 9. BUSINESS COMBINATION (continued)

#### (a) (continued)

The fair value of the identifiable net assets and liabilities of Fortune On at the date of acquisition are as follows:

	<b>Fair value recognised on acquisition HK\$'000</b>
Net assets acquired:	
Prepayments, deposits and other receivables	5
Receivables from shareholders of Fortune On	42
Cash and bank balances	2,995
Accruals	(50)
Tax payables	(2,950)
	<hr/>
	42
	<hr/> <hr/>
Satisfied by:	
Assumption of an amount due to Fortune On	25
Fair value of equity interest previously held as investment in an associate	17
	<hr/>
	42
	<hr/> <hr/>

An analysis of net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	<b>HK\$'000</b>
Cash consideration	–
Cash and bank balances acquired	2,995
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,995
	<hr/> <hr/>

Fortune On did not contribute any significant revenue nor profit or loss to the Group.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 9. BUSINESS COMBINATION (continued)

- (b) During the year ended 31 March 2012, the Group acquired an additional 50% equity interest in an associate, Deson Innovative Limited (“Deson Innovative”) (formerly known as Visonic Deson Limited) and shareholder’s advance of HK\$3,883,000 at a cash consideration of HK2,428,000 on 12 August 2011. After the acquisition, Deson Innovative has become a wholly-owned subsidiary of the Group. The principal activity of Deson Innovative is sale, distribution and marketing of home security and automation products. The purchase consideration for the acquisition was in form of cash and paid on 12 August 2011.

The fair value of the identifiable net assets and liabilities of Deson Innovative at the date of acquisition are as follows:

	Fair value recognised on acquisition HK\$'000
Net assets acquired:	
Property, plant and equipment	139
Accounts receivable	1,738
Prepayments, deposits and other receivables	399
Inventories	2,120
Cash and bank balances	1,836
Deferred tax liabilities	(15)
Other payables	(1,181)
Advance from a shareholder of Deson Innovative	(3,883)
	<hr/>
	1,153
Advance from a shareholder acquired	3,883
Goodwill on acquisition	606
	<hr/>
	5,642
	<hr/> <hr/>
Satisfied by:	
Cash	2,428
Fair value of equity interest previously held as investment in an associate	3,214
	<hr/>
	5,642
	<hr/> <hr/>

## NOTES TO FINANCIAL STATEMENTS *(continued)*

### 9. BUSINESS COMBINATION *(continued)*

#### (b) *(continued)*

An analysis of net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	(2,428)
Cash and bank balances acquired	1,836
	<hr/>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(592)
	<hr/> <hr/>

Since the acquisition, Deson Innovative contributed HK\$6,427,000 to the Group's revenue and HK\$627,000 to the consolidated profit for the year ended 31 March 2012.

Had the combination taken place at the beginning of the prior year, the revenue of the Group and the profit of the Group for the prior year would have been HK\$820,701,000 and HK\$72,871,000, respectively.

## **DIVIDEND**

The Board of Directors recommends the payment of a final dividend of HK1.2 cents per share for the year ended 31 March 2013 (2012: HK1 cent per share) to shareholders whose names appear on the Registers of Members on Tuesday, 20 August 2013 subject to the approval of Shareholders at the forthcoming 2013 Annual General Meeting (the “2013 AGM”).

Taking together with the interim dividend of HK1 cent per share paid on 31 December 2012, this will make a total dividend for the year ended 31 March 2013 of HK2.2 cents per share (2012: HK2 cents per share).

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the 2013 AGM.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 16 August 2013 to 20 August 2013, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for the proposed final dividend, all transfer of shares in the Company accompanied by the relevant share certificates must lodged with the Company’s branch shares registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 15 August 2013.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

We are pleased to announce satisfactory result for the Group during the year under review. The Group’s turnover for the year ended 31 March 2013 is the second highest in history and recorded at HK\$788,095,000, which represented a slight decrease of 4% as compared with last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$49,135,000 representing a decrease of 32% as compared with last year, the drop is mainly due to in last year, approximately 53,000 square metres of section B of Phase II of Century Place, Kaifeng, PRC was completed and put to market, whereas in current year only approximately 14,000 square metres of section F of Phase II of Century Place, Kaifeng, PRC was completed and put to market, which leads to the 38% decrease in turnover of property development and investment segment as well as the drop in gross profit contribution. Also, last year the Group make a gain on disposal of an associate in the amount of HK\$6.5 million, no similar gain was generated in current year. Earning per share is approximately HK8.62 cents.

The Group’s major business segment during the year comprises (i) construction as a main contractor and decoration, as well as the provision of electrical and mechanical (“E&M”) engineering services; (ii) property development and investment; and (iii) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services.

During the year ended 31 March 2013, the Group completed or substantially completed projects such as main contractor for construction of three residential houses at Gough Road, the Peak, Hong Kong, design and build foundation works for residential houses at Stubbs Road, Hong Kong, biennial term contract for the maintenance and repair of, alternations and additions to, fire services installations for health services buildings in New Territories East Region, Hong Kong, fitting out works for Asia Society Hong Kong Center at Former Explosive Magazine at Justice Drive, Admiralty, Hong Kong, fitting out works for Prada shop at Hangzhou, Taiyuen and Hefei, PRC. In current year, despite the turnover generated from the property development and investment business decreased by 38% as compared to last year, segment operating profit generated from this business only decreased by 5% as compared to last year, this is mainly due to 24% of the area sold during the year are generated from commercial units, especially from section F of Phase II of Century Place, Kaifeng, PRC, which was completed in current year, whereas in last year, only 14% of the area sold are generated from commercial units. Since commercial units usually have a much higher gross profit margin than residential units, and the average selling price achieved for section F is higher than other sections' commercial units, so gross profit generated in current year remained high and did not drop as much as the decrease in turnover. Also, the Group earned more temporary rental income from the completed properties held for sales before sales is made, as a result, the operating profit generated from this segment is comparable with last year.

In September 2007, Asian Villas City Square was awarded one of the “Top 100 Best Property in China for year 2007 (third anniversary)”. In May 2008, the Company was awarded one of the “Top 500 Most Influential Property Development Enterprise in China” for year 2008, by 2008 亞洲(博鰲)房地產領袖峰會. In December 2009, the Company was awarded one of the “Chinese businessman top 500 in 2009” by 華商中國市場500強評選活動組委會.

## **FINANCIAL REVIEW**

### **Turnover**

For the year ended 31 March 2013, the Group's turnover is the second highest in history and recorded at HK\$788 million, decreased by 4% as compared to last year. The decrease was mainly due to in last year, approximately 53,000 square metres of section B of Phase II of Century Place was completed and available for sales, whereas in current year, only approximately 14,000 square metres of section F of Phase II of Century Place was completed and put to market, as such, the property development and investment segment's turnover decreased by 38%, despite of the drop, turnover generated from both construction and property development and investment segments remained high and both are the second highest in history. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$561 million, HK\$200 million, HK\$27 million respectively, which represent an increase by 18%, a decrease by 38% and an increase by 35% respectively as compared to last year.

## **Gross profit margin**

During the year ended 31 March 2013, the Group's gross profit margin was approximately 17%, down by 1% as compared to last year's 18%, this is mainly driven from the decrease in the percentage of turnover generated from the property development and investment segment over the total turnover, from last year's 39% to this year's 25%, where the gross profit margin of this segment generally have a much higher gross profit margin than the other main segment-construction contracting segment, as a result, the overall gross profit margin is slightly lower than last year.

## **Liquidity and financial resources**

As at 31 March 2013, the Group had total assets of HK\$1,683,797,000, which is financed by total liabilities, shareholders' equity and non-controlling interests of HK\$835,290,000, HK\$842,690,000 and HK\$5,817,000, respectively. The Group's current ratio at 31 March 2013 was 2.06 compared to 1.68 at 31 March 2012.

The gearing ratio for the Group is 18% (31 March 2012: 6%). It was calculated based on the non-current liabilities of HK\$189,321,000 (31 March 2012: HK\$50,757,000) and long term capital (equity and non-current liabilities) of HK\$1,037,828,000 (31 March 2012: HK\$820,855,000).

## **Capital expenditure**

Total capital expenditure for the year ended 31 March 2013 was approximately HK\$1,144,000, which are mainly used in the purchase of furniture and fixtures and office equipments.

## **Contingent liabilities**

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

## **Commitments**

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

## **Charges on group assets**

Assets with carrying value of HK\$626,146,000 were pledged as security for the Group's banking facilities.

## **Treasury policies**

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development

project in Kaifeng, PRC, the Group will take consideration on the Renminbi fund planning to adequately finance this project. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars and Renminbi, hence, there is no significant exposure to foreign exchange rate fluctuations.

### **Exchange risk exposure**

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi. Since some of the Group's business are based in the PRC, the continuing appreciation of RMB inevitably increase the development cost and operating cost, however, the fluctuation in RMB is still mild for the time being and the PRC operation is naturally hedged by the future RMB receivables, therefore the management does not foresee any significant foreign currency exposure.

### **Event after the reporting period**

On 1 February 2013, Yew Siang Limited ("Yew Siang"), an indirect wholly owned subsidiary of the Company entered into an equity interests purchase agreement and a shareholder's loan assignment agreement with 成都恒托商貿有限公司 ("恒托"), an independent third party, in relation to the disposal to 恒托 of the entire issued share capital of 美格菲(成都)康體發展有限公司 ("美格菲"), a wholly owned subsidiary of Yew Siang, and the rights to a shareholder's loan due to Yew Siang from 美格菲. The total consideration of the disposal is RMB56,452,670.

The disposal constitutes a discloseable transaction for the Group and is subject to the notification and announcement requirements under the Listing Rules. The disposal was completed on 29 May 2013.

## **PROSPECT**

### **Construction business (including E&M works)**

The Group will uphold an on-going parallel development of its construction business (including building construction and E&M works) in both the PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, the Group obtained "List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau of the HKSAR". Together with the license in Group II under the "Turn-key Interior Design and Fitting-out Works" under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" and the 11 licenses held under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR", enables the Group to take an active part in the construction business development.

During the year, new projects such as main contractor for alteration and addition works for a factory building at Tsun Yip Street, Kwun Tong, Hong Kong, alteration and addition and fitting out works for Miu Miu shops at Peking Road, Tsim Sha Tsui, Hong Kong, triennial term contract for the maintenance and repair of alterations and additions to fire services installations for health buildings in New Territories region, Hong Kong, new school campus in Sai Kung for Hong Kong Academy, Hong Kong, were granted. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$1,255 million.

## **Property development and investment**

On 9 June 2005, the Group has been granted the land use rights of a development site in Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 221,000 sq. metres. Up to now, gross floor area of 190,000 sq. metres had completed construction and the total sales contract sum achieved amounted to approximately RMB603 million. The remaining of the land is under construction, processing smoothly, and it is expected the construction will be completed by 2014.

On 16 February 2012, the Group has successfully won a bid for the acquisition of land use right of a residential and commercial site in 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 104,000 sq. metres.

Although customer demand is affected by austerity measures posed by the Central Government and macro-economic uncertainties, property prices are not expected to decrease substantively. In anticipation of progressive appreciation of Renminbi as well as enormous domestic demand, the Board remains optimistic to the property market in Mainland China and the Group will continue to place emphasis on strengthening the property development and investment business, and may acquire additional land bank to enrich its land reserve, specifically in the second and third tier cities in PRC which the market trend and growth potential is consistently increasing, however, the Group has no specific investment plan in relation to any particular project currently.

## **Trading of medical equipment and home security and automation products**

With rising affluence especially in Hong Kong and the major cities in PRC, the consumers' increasing health awareness, especially among higher-income urban consumers, continued to create higher demand for medical equipments, and our effort in trading of medical equipment should continue to pay off in terms of sales growth and market penetration in PRC. In the coming year, we will expand our distribution channels and introducing a broader range of products to spur sales growth.

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

The Global economy remains full of uncertainties especially the sovereign debt crisis in Europe and the fiscal cliff in the United States together with the tense geopolitical situation in East Asia, which generated concerns over the global economy. The tightening policies such as restrictions on home purchase as a part of its efforts to control inflation and maintain a stable and healthy economic growth, also caused certain negative impact on the mainland property market. However, it is expected the economy of the PRC will sustain a healthy growth, also, Hong Kong remains well positioned to benefit from the PRC's continuing growth and development, as such, the Group remains optimistic in the long run and has confidence in the growth momentum in the PRC and Hong Kong.

The Group will continue to adopt efficacious cost management strategies and maintain tight credit control to cope with challenges and enhance competitiveness under the fluctuated operating environment.

## **HUMAN RESOURCES**

As at 31 March 2013, the Group has 128 employees, 13 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the year under review amounted to HK\$41 million as compared to HK\$38 million in last year, the increase is mainly due to the increment under the yearly review in current year.

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

## **CONTINUING CONNECTED TRANSACTIONS**

On 23 March 2011, the Group has entered into two tenancy agreements with 上海美格菲健身中心有限公司 and Fitness Concept Limited, companies wholly-owned by Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of two properties of the Group at Sichuan, PRC and Hong Kong. The two tenancy agreements are contracted for three years commencing 1 April 2011, and the monthly rent payable are RMB150,000 and HK\$25,500 respectively. During the year, the Group signed a sales and purchase agreement with an independent third party for the disposal of 100% shareholding interest in 美格菲(成都)康體發展有限公司, an indirect wholly owned subsidiary of the Group and hold the above mentioned properties at Sichuan, PRC, due to the disposal, the Group had early terminated the leasing arrangement with 上海美格菲健身中心有限公司 commencing November 2012, and the rental income earned during the year ended 31 March 2013 from the above tenancy agreements were HK\$1,598,000 only.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 48.44% equity interest in the Company at the time entering into the tenancy agreements, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules. The transactions therefore constitute connected transactions of the Company. As each of the applicable percentage ratios of the transactions was more than 2.5% but less than 25% and the total considerations involved were less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the transactions were exempted from the independent shareholders' approval requirement and were only subject to the reporting and disclosure requirements of the Listing Rules. The transactions also constituted discloseable transactions for the Company under the Listing Rules.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that this continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 March 2013, the Company purchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them. The summary details of those transactions are as follows:

	Number of Shares repurchased	Price per share		Total price paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2012	825,000	0.530	0.500	427
July 2012	625,000	0.495	0.470	304
August 2012	220,000	0.480	0.460	103
September 2012	160,000	0.465	0.450	73
October 2012	1,195,000	0.500	0.455	576
December 2012	830,000	0.510	0.485	417
February 2013	2,845,000	0.640	0.550	1,739
March 2013	5,250,000	0.660	0.610	3,385
	<u>11,950,000</u>			<u>7,024</u>

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$1,195,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$5,829,000 paid on the repurchases shares and share repurchase expenses of HK\$56,000 were charged against the share premium account.

The purchase of the Company's shares during year ended 31 March 2013 was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2013.

## CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with most of the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") save for the deviation from the Code Provision A4.1, 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 A4.1*

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2013.

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 annual results for the year ended 31 March 2013, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprise of three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Wong Shing Kay, Oliver is the Chairman of the committee.

## **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 blend of skills, knowledge and experience. The nomination committee currently comprises two executive Directors, namely Mr. Tjia Boen Sien, Mr. Wang Jing Ning, and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Wong Shing Kay, Oliver is the Chairman of the committee.

## REMUNERATION COMMITTEE

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

## PUBLICATION OF FURTHER FINANCIAL INFORMATION

The annual results announcement is published on the Stock Exchange website (<http://www.hkex.com.hk>) and the Company's website (<http://www.deson.com>). The annual report for the year ended 31 March 2013 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Stock Exchange website and the Company's website in due course.

By Order of the Board

**Tjia Boen Sien**

*Managing Director and Deputy Chairman*

Hong Kong, 14 June 2013

*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. Keung Kwok Cheung, and the independent non-executive Directors are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po, and Mr. Wong Shing Kay, Oliver.*