THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Deson Development International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF THE ENTIRE SHAREHOLDING INTERESTS IN HONG KONG OKABE COMPANY LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING

A letter from the Board is set out on pages 4 to 15 of this circular.

A notice convening the SGM of the Company to be held at 10:30 a.m. on 25 March 2010 at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong is set out in Appendix VI of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

* *For identification only*

10 March 2010

CONTENTS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

"Acquisition"	the proposed acquisition of the entire issued share capital of the Target Company by Lead Joy pursuant to the terms and conditions of the Agreement
"Agreement"	the sale and purchase agreement dated 27 January 2010 entered into between the Vendors and the Purchaser in relation to the Acquisition
"Board"	the board of Directors
"Company"	Deson Development International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	the completion of the Acquisition pursuant to the terms and conditions of the Agreement
"Completion Date"	31 March 2010 or, if later, within five business days of the fulfillment of the conditions precedent of the Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration for the Acquisition of HK$106,450,000
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huizhou Golf"	惠州高爾夫球場有限公司 (Huizhou Golf Course Limited Company*), a sino-foreign joint venture incorporated in the PRC

* *For identification only*

"Independent Third Party"	a third person who is independent of the Company and its connected persons and who is not a connected person of the Company
"Interpath Profits"	Interpath Profits Limited, a company incorporated in the British Virgin Islands with limited liability, 60% of the issued share capital of which is indirectly owned by the Company
"Latest Practicable Date"	3 March 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information included herein
"Lead Joy" or "Purchaser"	Lead Joy Investments Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Interpath Profits and an indirect 60% owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mellink"	Mellink Investment Limited, a company incorporated in Hong Kong with limited liability, in which 8,009,999 shares and one share in issue are held by the Target Company and OCL, respectively
"OCL"	Okabe Co. Ltd., a limited company incorporated under the laws of Japan
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting to be held on 25 March 2010 to approve the Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	holders of Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Hong Kong Okabe Company Limited (香港岡部有限公司), a company incorporated under Hong Kong laws with limited liability
"Target Group"	the Target Company and its subsidiaries
"Vendors"	collectively, OCL and Mr. Sehata Shinichi
"%"	per cent.

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)

Executive Directors:
Mr. Wang Ke Duan *(Chairman)*
Mr. Tjia Boen Sien
(Managing Director & Deputy Chairman)
Mr. Wang Jing Ning
Mr. Keung Kwok Cheung

Independent non-executive Directors:
Dr. Ho Chung Tai, Raymond
Mr. Siu Man Po
Mr. Wong Shing Kay, Oliver

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business:
11th Floor, Nanyang Plaza
57 Hung To Road, Kwun Tong
Kowloon
Hong Kong

10 March 2010

To the Shareholders

Dear Sirs,

MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF THE ENTIRE SHAREHOLDING INTERESTS IN HONG KONG OKABE COMPANY LIMITED

A. INTRODUCTION

Reference is made to the announcement of the Company dated 27 January 2010. On 27 January 2010, the Purchaser, an indirectly non wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors in relation to the acquisition of the entire shareholding interests in Hong Kong Okabe Company Limited. The total consideration of the Acquisition is HK$106,450,000.

The Acquisition constitutes a major transaction for the Company under the Listing Rules. The Agreement and the transactions contemplated thereunder are subject to the approval of the Shareholders by way of poll at the SGM.

The purpose of this circular is to give Shareholders further information on the terms of the Agreement and to provide Shareholders with such information concerning the Company and the Acquisition as is required by the Listing Rules.

* *For identification only*

B. THE AGREEMENT

(a) Date

27 January 2010

(b) Parties

(i) The Vendors

(1) OCL, a limited liability company incorporated in Japan.

(2) Mr. Sehata Shinichi.

(ii) The Purchaser

Lead Joy, a company incorporated in the British Virgin Islands with limited liability and an indirect 60% owned subsidiary of the Company, being a wholly-owned subsidiary of Interpath Profits, which is a 60% owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors (and, in the case of OCL, its ultimate beneficial owners) are Independent Third Parties.

(c) Assets to be acquired

Pursuant to the Agreement, the Vendors have agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of the Target Company.

(d) Consideration

The Consideration is HK$106,450,000 which shall be satisfied in the following manner:

(i) an amount of HK$37,257,500 (being 35% of the Consideration) shall be payable in cash on or before 3rd February 2010 (and was so paid); and

(ii) the balance of HK$69,192,500 (being 65% of the Consideration) shall be payable in cash on the Completion Date.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendors and was determined taking into consideration (i) the audited consolidated net assets of the Target Group as at 30 September 2009 of approximately HK$96 million; (ii) the value of the land, buildings and structures held by Huizhou Golf as at 31 December 2009 as appraised by an independent property valuer (see Appendix IV in this Circular); and (iii) the prospects of the golf club business in the PRC and the potential increase in the value of the land owned by the Target Group as described in detail in the paragraph headed "Reasons for the Acquisition" below. The Consideration will be financed by shareholders' loans by the Group and the 40% minority shareholders of Interpath Profits (the immediate 100% holding company of Lead Joy) in the proportion of 60% and 40% respectively, in accordance with their respective shareholding interests in Interpath Profits. The Group will satisfy its portion by internal resources and future borrowings.

(e) Conditions precedent

Completion shall be conditional upon the fulfillment or waiver of the following conditions:

(i) the Company having obtained the approval of the Shareholders at the SGM of the Agreement and the transactions contemplated thereunder; and

(ii) the Company having obtained all necessary approvals of the Stock Exchange in connection with the entering into of the Agreement and the transactions contemplated thereunder.

If the above conditions are not fulfilled by 30 June 2010 (or such later date as the parties may agree), the Agreement shall terminate and all payments previously paid by the Purchaser to the Vendors under the Agreement as deposit shall be returned forthwith to the Purchaser.

(f) Completion

Completion shall take place at or before 5 p.m. on 31 March 2010 or, if later, within five business days from the date of fulfillment of all of the above conditions precedent.

C. INFORMATION ON THE PARTIES

The Group is principally engaged in (i) the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and the PRC; (ii) property development and investment; and (iii) the trading of medical equipment and provision of related installation and maintenance services.

OCL is a limited company incorporated in Japan which is principally engaged in the manufacturing and sales of building materials and equipment. The Target Company is an investment holding company and holds nearly 100% of the entire issued share capital (8,009,999 out of 8,010,000 issued shares, with OCL holding the only other share in issue) in Mellink, which owns 90% equity interest (with the remaining 10% held by an Independent Third Party) in Huizhou Golf. Pursuant to the terms of the Agreement, OCL shall transfer all of its interest in Mellink to the Target Company on or before the Completion Date. As a result, it is expected that Mellink will become a wholly-owned subsidiary of the Target Company on or before Completion. Mellink is principally engaged in the sale of golf club memberships and investment holding business.

Huizhou Golf is principally engaged in golf club operation. It owns a piece of land located at Huizhou, PRC, with a total site area of approximately 1,008,725 sq. m., on which Huizhou Golf operates a golf course.

Set out below is a summary of key consolidated audited financial information of the Target Group for the two years ended 30 September 2009, which has been prepared in accordance with accounting policies in compliance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants:–

	For the year ended 30 September	
	2008	**2009**
	HK$ million	*HK$ million*
Revenue	18	18
Loss before tax and loss for the year	(15)	(13)

Based on the consolidated audited financial information of the Target Group, its audited consolidated net assets value as at 30 September 2009 was approximately HK$96 million.

Pursuant to the sino-foreign co-operative agreement and the supplementary agreement for Huizhou Golf entered into in the years 1992 and 1993, respectively, the term of the joint venture of Huizhou Golf is for 30 years from the date of issue of the business license up to year 2023. Upon the expiry of the term of the joint venture, the fixed assets of Huizhou Golf shall be transferred to Shenzhen Kang He Tai Trading Company Limited* (深圳市康和泰貿易有限公司) who holds 10% shareholding interest in Huizhou Golf, at nil consideration. A consent has been obtained by the Directors from Shenzhen Kang He Tai Trading Company Limited* (深圳市康和泰貿易有限公司) such that Shenzhen Kang He Tai Trading Company Limited* (深圳市康和泰貿易有限公司) has agreed to apply for extension of the term of the joint venture upon expiry. The extension of the term of the joint venture, including the duration of such extension and the consideration, will be subject to the approval of the relevant PRC authorities. In this regard, Shenzhen Kang He Tai Trading Company Limited* (深圳市康和泰貿易有限公司) has agreed to use it best endeavors to assist Huizhou Golf in obtaining the relevant approval from the relevant PRC authorities. It is expected that the costs involved in applying for the extension will not be substantial. The Directors expect that the application for extension of the term of the joint venture will be processed in accordance with the relevant PRC legal requirements and do not foresee any substantial difficulties. As such, the Directors do not foresee there will be material effect on the operation of the Target Group. As the financial information of the Target Group in Appendix II and the unaudited pro forma financial information of the Enlarged Group in Appendix III have taken into account of the expiration of the joint venture term in year 2023, the Directors consider that it is fair and reasonable to acquire the Target Company even if the term cannot be extended at the expiration of the joint venture term in year 2023.

* *For identification only*

D. REASONS FOR THE ACQUISITION

One of the principal existing businesses of the Group is property development and investment. The Group currently owns a number of sites in Huizhou which are planned to be developed into residential properties. The piece of land owned by Huizhou Golf and on which it operates a golf course is contiguous with the sites owned by the Group. The Acquisition will result in the consolidation of the site owned by Huizhou Golf with its golf club environment and facilities with the adjacent residential development sites already owned by the Group, which is expected to enhance both the attractiveness of the residential properties and therefore their value, and also the combined value of the consolidated sites. The Target Group recorded an audited consolidated loss for each of the two years ended 30 September 2009. Following Completion, the Directors will evaluate possible means of improving the Target Group's operating performance and its financial conditions. In this connection, the Directors note that the amount of the Consideration (HK$106,450,000):

i. is not substantially more than the audited consolidated net assets of the Target Group as at 30 September 2009 (approximately HK$96 million); and

ii. would be less than such net assets if the value of land held by Huizhou Golf was to be adjusted upward by HK$16,867,000 by reference to the fair value of prepaid land lease payments as disclosed in unaudited pro forma statement of assets and liabilities of the Enlarged Group set out in Appendix III to this circular.

Taking all of the foregoing factors into account, notwithstanding the net current liability of the Target Group as at 30 September 2007, 2008 and 2009 as disclosed in the financial information of the Target Group set out in Appendix II to this circular, the Directors consider the Acquisition to be in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition and the related Consideration are fair and reasonable.

E. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The Target Company was incorporated on 20 October 1992 as an investment holding company and holds nearly 100% of the entire issued share capital (8,009,999 out of 8,010,000 issued shares, with OCL holding the only other share in issue) in Mellink, which owns 90% equity interest (with the remaining 10% held by an Independent Third Party) in Huizhou Golf. Pursuant to the terms of the Agreement, OCL shall transfer all of its interest in Mellink to the Target Company on or before the Completion Date. As a result, it is expected that Mellink will become a wholly-owned subsidiary of the Target Company on or before Completion.

For the year ended 30 September 2007

Review of results

The Target Group recorded total revenue and gross profit of approximately HK$16.0 million and HK$1.3 million, respectively. Administration expenses amounted to HK$14.3 million which are mainly comprised of land use tax, business tax, salaries, commission and depreciation, such amount is significant when compare to the total revenue for the year because the business tax rate applicable to entertainment business is high and there is a new type of tax, namely, land use tax became effective since 1 January 2007. For the year ended 30 September 2007, net loss for the year was approximately HK$13.1 million. The net loss for the year was mainly attributable to the operating loss and loss on disposal of golf club facilities in the amount of approximately HK$1.1 million.

Interests in an associate

The Target Company owns a 25% shareholding interests in Pacific Chest Limited, a company incorporated in Hong Kong which is principally engaged in property trading business. As at 30 September 2007, the net liabilities of Pacific Chest Limited amounted to HK$61.9 million, and the Target Group made full provision for the amount due from this associate and has discontinued the recognition of its share of loss because it exceeded the Target Company's interests in this associate.

Capital expenditure

Total capital expenditure for the year ended 30 September 2007 was approximately HK$1.5 million, which was mainly for the purchase of golf club facilities in connection with the golf business in the PRC.

Liquidity and financial resources

As at 30 September 2007, the Target Group had total assets of HK$152.0 million, which was financed by total liabilities and shareholders' equity of HK$40.2 million and HK$111.8 million, respectively. It had current assets of HK$19.8 million, comprising mainly cash and cash equivalents and prepayments, deposit and other receivables. It had current liabilities of HK$25.7 million, comprising mainly membership deposits. The Target Group's gearing ratio was 11.5%, which was calculated based on the non-current liabilities of HK$14.5 million and long term capital (equity and non-current liabilities) of HK$126.3 million.

Capital commitment

As at 30 September 2007, the Target Group had no significant capital commitment.

Significant investments, material acquisition and disposals

In the year ended 30 September 2007, the Target Group made no material acquisitions or disposals of subsidiaries and associated companies.

Charges on assets

As at 30 September 2007, the assets of the Target Group were not under any charge.

Exposure to foreign currency risk

The business of the Target Group was mainly operated in the PRC and its principal activities were conducted in HK$ and RMB. The continuing appreciation of RMB inevitably increased the operating cost. However, the fluctuation in RMB was relatively mild and the PRC operation was naturally hedged to future RMB income; therefore, the Target Group's exposure to market risk for changes in foreign currency exchange rate was not significant.

Contingent liabilities

As at 30 September 2007, the Target Group did not have any significant contingent liabilities.

Human Resources

As at 30 September 2007, the Target Group had 153 employees, 147 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the year ended 30 September 2007 amounted to HK$3.5 million. All employees were remunerated based on industry practice and in accordance with the prevailing employment law.

For the year ended 30 September 2008

Review of results

The Target Group recorded total revenue of approximately HK$18.1 million, representing an increase of 13% as compared with the previous year. Gross profit for the period was approximately HK$1.2 million, representing a decrease of 5.7% as compared with the previous year. Administration expenses amounted to HK$18.3 million which are mainly comprised of the land use tax, business tax, salaries, commission and depreciation, such amount is significant when compare to the total revenue for the year because the business tax rate applicable to entertainment business is high and full year provision of land use tax was accrued instead of nine months for the year ended 30 September 2007, also, business tax in relation to disposal of items of property, plant and equipment had been incurred. For the year ended 30 September 2008, net loss for the year was approximately HK$14.7 million, representing an increase of 12.2% as compared with the previous year. The net loss for the year was mainly attributable to the operating loss and loss on disposal of items of property, plant and equipment in the amount of approximately HK$1.9 million.

Interests in an associate

The Target Company owned a 25% shareholding interests in Pacific Chest Limited, a company incorporated in Hong Kong which was principally engaged in property trading business. Pacific Chest Limited had disposed of the last property it held and had become dormant since then. As at 30 September 2008, the net liabilities of Pacific Chest Limited amounted to HK$51.9 million, and the Target Group had made full provision for the amount due from this associate and discontinued the recognition of its share of loss because it exceeded the Target Company's interests in this associate.

Capital expenditure

Total capital expenditure for the year ended 30 September 2008 was approximately HK$1.7 million, which was mainly for the purchase of tools and equipment in connection with the golf business in the PRC.

Liquidity and financial resources

As at 30 September 2008, the Target Group had total assets of HK$153.2 million, which was financed by total liabilities and shareholders' equity of HK$43.8 million and HK$109.4 million respectively. It had current assets of HK$19.8 million, comprising mainly cash and cash equivalents. It had current liabilities of HK$30.2 million, comprising mainly membership deposits and deferred income and accruals. The gearing ratio for the Target Group was 11.0%, which was calculated based on the non-current liabilities of HK$13.6 million and long term capital (equity and non-current liabilities) of HK$123.0 million.

Capital commitment

As at 30 September 2008, the Target Group had no material capital commitment.

Significant investments, material acquisition and disposals

During the year ended 30 September 2008, the Target Group made no material acquisitions or disposals of subsidiaries and associated companies.

Charges on assets

As at 30 September 2008, the assets of the Target Group were not under any charge.

Exposure to foreign currency risk

The business of the Target Group was mainly operated in the PRC and its principal activities were conducted in HK$ and RMB. The continuing appreciation of RMB inevitably increased the operating cost. However, the fluctuation in RMB was relatively mild and the PRC operation was naturally hedged to future RMB income; therefore, the Target Group's exposure to market risk for changes in foreign currency exchange rate was not significant.

Contingent liabilities

As at 30 September 2008, the Target Group did not have any significant contingent liabilities.

Human Resources

As at 30 September 2008, the Target Group had 160 employees, 154 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the year ended 30 September 2008 amounted to HK$4.1 million. All employees were remunerated based on industry practice and in accordance with the prevailing employment law.

For the year ended 30 September 2009

Review of results

The Target Group recorded total revenue of approximately HK$18.4 million, representing an increase of 2.2% as compared with the previous year. Gross profit for the period was approximately HK$2.1 million, representing an increase of 77% as compared with the previous year. Administration expenses amounted to HK$15.5 million which are mainly comprised of land use tax, business tax, salaries, commission and depreciation, such amount is significant when compare to the total revenue for the year because the business tax rate applicable to entertainment business is high. For the year ended 30 September 2009, net loss for the year was approximately HK$13.0 million, representing a decrease of 11.3% as compared with the previous year. The improvement in operating result was mainly due to the decrease in loss on disposal of items of property, plant and equipment from HK$1.9 million in the previous year to HK$0.1 million in the current year, and the decrease in depreciation expense of HK$8.0 million in the previous year to HK$7.8 million in the current year.

Interests in an associate

For the year ended 30 September 2008, the Target Group had made full provision for the amount due from this associate and had discontinued the recognition of its share of loss because it exceeded the Target Company's interests in this associate. Since Pacific Chest Limited had no operation since the year ended 30 September 2008, and there was no funding commitment in relation to this associate, the Directors do not believe that there would be any material potential risk and contingent liability that may arise from such interest.

Capital expenditure

Total capital expenditure for the year ended 30 September 2009 was approximately HK$0.9 million, which was mainly for the purchase of golf club facilities and tools and equipment in connection with the golf business in the PRC.

Liquidity and financial resources

As at 30 September 2009, the Target Group had total assets of HK$142.4 million, which was financed by total liabilities and shareholders' equity of HK$46.0 million and HK$96.4 million, respectively. It had current assets of HK$17.1 million, comprising mainly cash and cash equivalents. It had current liabilities of HK$33.4 million, comprising mainly membership deposits and deferred income and accruals. The gearing ratio for the Target Group was 11.6%, which was calculated based on the non-current liabilities of HK$12.6 million and long term capital (equity and non-current liabilities) of HK$109.0 million.

Capital commitment

As at 30 September 2009, the Target Group had no material capital commitment.

Significant investments, material acquisition and disposals

In the year ended 30 September 2009, the Target Group made no material acquisitions or disposals of subsidiaries and associated companies.

Charges on assets

As at 30 September 2009, the assets of the Target Group were not under any charge.

Exposure to foreign currency risk

The business of the Target Group was mainly operated in the PRC and its principal activities were conducted in HK$ and RMB. The continuing appreciation of RMB inevitably increased the operating cost. However, the fluctuation in RMB was relatively mild and the PRC operation was naturally hedged to future RMB income, therefore, the Target Group's exposure to market risk for changes in foreign currency exchange rate was not significant.

Contingent liabilities

As at 30 September 2009, the Target Group did not have any significant contingent liabilities.

Human Resource

As at 30 September 2009, the Target Group had 201 employees, 197 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the year ended 30 September 2009 amounted to HK$5.3 million. All employees were remunerated based on industry practice and in accordance with the prevailing employment law.

Emphasis of matter

As disclosed in the financial information of the Target Group set out in Appendix II to this circular, as at 30 September 2007, 2008 and 2009, the Target Group had net current liabilities of approximately HK$5,854,000, HK$10,472,000 and HK$16,292,000, respectively. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular, upon Completion, the Enlarged Group would have net current assets and net assets of HK$200,045,000 and HK$500,058,000 respectively as at 30 September 2009. Taking into account the above and the existing cash resources and banking facilities available to the Group, the Directors believe that following Completion the Enlarged Group will have sufficient funding to provide financial support to the Target Group for the foreseeable future. The Directors are also not aware of any matter or fact which will render the Enlarged Group not having sufficient working capital for its requirements after the completion of the Acquisition in the foreseeable future.

F. FINANCIAL EFFECTS OF THE ACQUISITION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Upon Completion, the Target Company will become a non wholly-owned subsidiary of the Company in which the Company controls 60% shareholding interest through Lead Joy, and the financials results of the Target Group will be consolidated into the accounts of the Group. The unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular was prepared as if the Acquisition had been completed on 30 September 2009 for the pro forma consolidated statement of financial position.

As set out in the unaudited pro forma consolidated statement of the financial position of the Enlarged Group in Appendix III to this circular, the Group had unaudited total assets and total liabilities of approximately HK$999,919,000 and HK$506,680,000 respectively as at 30 September 2009. Upon Completion, the Enlarged Group would have unaudited pro forma total assets and total liabilities of approximately HK$1,095,282,000 and HK$595,224,000 respectively.

Earnings

Upon Completion, the Target Company will become a non wholly-owned subsidiary of the Company and it is expected that the revenue and earnings before interest, taxation and depreciation of the Group will increase as a result of the Acquisition.

G. LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction for the Company under the Listing Rules. The Agreement and the transactions contemplated thereunder are subject to the approval of the Shareholders by way of poll at the SGM. As, to the best knowledge and belief of the Directors, the Vendors are Independent Third Parties and no Shareholder has any material interest in the Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the resolution to be proposed at the SGM for the approval of the Acquisition and the transactions contemplated under the Agreement.

H. SGM

The notice of the SGM is set out on pages 171 to 172 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

The results of the voting at the SGM will be announced by the Company following the conclusion thereof.

I. RECOMMENDATION

The Board considers that the Agreement has been entered into on normal commercial terms after arm's length negotiation and the terms of the Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole and therefore recommends that Shareholders vote in favour of the resolution to be proposed at the SGM for the approval of the Agreement and the transactions contemplated thereunder.

J. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited financial results of the Group for the three financial years ended 31 March 2009 and unaudited financial results of the Group for the six months ended 30 September 2008 and 2009, as extracted from the audited financial statements and unaudited interim condensed financial statements of the Group for the relevant periods.

Consolidated Profit and Loss Account

	Year ended 31 March			For the six months ended 30 September	
	2009	**2008**	**2007**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
CONTINUING OPERATIONS					
Turnover	698,194	599,787	396,334	251,971	343,461
Cost of sales	(587,101)	(517,788)	(336,386)	(197,437)	(307,722)
Gross profit	111,093	81,999	59,948	54,534	35,739
Other income and gains	7,555	29,771	9,801	7,172	7,622
Fair value gain on investment properties, net	2,599	–	27,880	–	–
Fair value gain on available-for sale investments, net (transfer from equity on disposal)	–	–	8,970	–	–
Administrative expenses	(60,515)	(64,784)	(55,475)	(29,079)	(29,137)
Other operating income/ (expenses)	(3,538)	(2,155)	(4,349)	2,469	2,091
Finance costs	(7,613)	(5,497)	(3,322)	(4,208)	(3,219)
Share of profits and losses of:					
A jointly-controlled entity	(10,708)	(243)	(3,090)	(13)	(14)
Assoicates	(259)	1,147	710	(172)	299
Profit before tax	38,614	40,238	41,073	30,703	13,381
Tax	(24,954)	(18,671)	(17,167)	(16,886)	(8,337)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	13,660	21,567	23,906	13,817	5,044
DISCONTINUED OPEATION					
Loss for the year from a discontinued operation	–	(5,144)	(17,271)	–	–
PROFIT FOR THE YEAR	13,660	16,423	6,635	13,817	5,044
Attributable to:					
Equity holders of the Company	12,570	16,893	7,684	12,928	5,387
Minority interests	1,090	(470)	(1,049)	889	(343)
	13,660	16,423	6,635	13,817	5,044

Consolidated Assets, Liabilities and Minority Interests

	As at 31 March			As at 30 September	
	2009	2008	2007	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
NON-CURRENT ASSETS					
Property, plant and equipment	64,350	100,124	105,309	63,546	101,130
Investment properties	181,704	134,040	80,106	197,666	136,200
Prepaid land lease payment	5,718	5,857	13,012	5,649	5,788
Interest in a jointly-controlled entity	–	12,892	11,409	5,161	14,166
Interest in associates	(2,408)	8,192	7,900	(3,427)	7,634
Available-for-sale investments	–	–	–	–	–
Financial assets at fair value through profit or loss	2,260	2,234	–	2,280	2,270
Amount due from an investee	–	–	17,721	–	–
Deferred tax asset	–	–	262	–	–
Total non-current assets	251,624	263,339	235,719	270,875	267,188
CURRENT ASSETS					
Amount due from associates	26,650	23,620	24,563	37,011	26,196
Amounts due from minority shareholders	–	–	7	–	–
Properties held for sale	520,064	418,784	395,379	513,303	440,583
Gross amount due from contract customers	5,247	7,334	12,283	5,550	37,428
Inventories	1,497	2,604	8,537	810	1,586
Accounts receivable	59,472	56,850	68,544	60,163	63,482
Prepayments, deposits and other receivables	30,290	35,870	26,220	39,518	52,903
Cash and cash equivalents	53,807	31,087	53,159	41,375	42,547
Pledged deposits	31,331	21,465	68,184	31,314	27,352
	728,358	597,614	656,876	729,044	692,077
Non-current asset classified as held for sale	9,295	–	–	–	–
Total current assets	737,653	597,614	656,876	729,044	692,077
CURRENT LIABILITIES					
Gross amount due to contract customers	38,626	35,564	29,104	49,631	77,701
Accounts payable	44,269	32,861	38,670	31,097	57,345
Other payables and accruals	171,116	129,679	175,060	129,595	122,199
Amounts due to associates	262	547	534	262	292
Amounts due to minority shareholders	19,529	17,360	11,824	20,131	18,560
Amounts due to related companies	27,166	23,813	–	20,107	33,219
Tax payable	45,914	31,747	22,334	55,381	37,671
Convertible notes	15,721	–	–	–	–
Interest-bearing bank and other borrowings	97,563	60,109	87,560	100,053	73,204
Total current liabilities	460,166	331,680	365,086	406,257	420,191
NET CURRENT ASSETS	277,487	265,934	291,790	322,787	271,886

	As at 31 March			As at 30 September	
	2009	**2008**	**2007**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
TOTAL ASSETS LESS CURRENT LIABILITIES	529,111	529,273	527,509	593,662	539,074
NON-CURRENT LIABILITIES					
Convertible notes	–	15,274	14,856	–	15,494
Interest-bearing bank and other borrowings	32,205	39,654	84,162	81,012	41,320
Deferred tax liabilities	19,252	14,247	11,749	19,411	14,277
Total non-current liabilities	51,457	69,175	110,767	100,423	71,091
Net assets	477,654	460,098	416,742	493,239	467,983
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	56,697	57,274	57,268	56,697	57,105
Reserves	416,091	399,040	356,303	431,869	407,137
Equity component of convertible notes	1,259	1,259	1,259	–	1,259
	474,047	457,573	414,830	488,566	465,501
Minority interests	3,607	2,525	1,912	4,673	2,482
Total equity	477,654	460,098	416,742	493,239	467,983

2. AUDITED FINANCIAL INFORMATION OF THE GROUP

The following financial information is an extract from the audited financial statements of the Group for the year ended 31 March 2009 together with notes thereto. Reference to page numbers in the audited financial statements of the Group is to the page numbers of the 2009 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	698,194	599,787
Cost of sales		(587,101)	(517,788)
Gross profit		111,093	81,999
Other income and gains	5	7,555	29,771
Fair value gain on investment properties, net	15	2,599	–
Administrative expenses		(60,515)	(64,784)
Other operating expenses		(3,538)	(2,155)
Finance costs	7	(7,613)	(5,497)
Share of profits and losses of:			
A jointly-controlled entity		(10,708)	(243)
Associates		(259)	1,147
PROFIT BEFORE TAX	6	38,614	40,238
Tax	10	(24,954)	(18,671)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		13,660	21,567
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	–	(5,144)
PROFIT FOR THE YEAR		13,660	16,423
Attributable to:			
Equity holders of the Company	11	12,570	16,893
Minority interests		1,090	(470)
		13,660	16,423

	Notes	2009 HK$'000	2008 HK$'000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic			
– For profit for the year		2.20 cents	2.95 cents
– For profit from continuing operations		2.20 cents	3.85 cents
Diluted			
– For profit for the year		2.20 cents	2.95 cents
– For profit from continuing operations		2.20 cents	3.79 cents

CONSOLIDATED BALANCE SHEET
31 March 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	64,350	100,124
Investment properties	*15*	181,704	134,040
Prepaid land lease payments	*16*	5,718	5,857
Interest in a jointly-controlled entity	*19*	–	12,892
Interests in associates	*20*	(2,408)	8,192
Available-for-sale investments	*21*	–	–
Financial assets at fair value through profit or loss	*22*	2,260	2,234
Amount due from an investee	*23*	–	–
Total non-current assets		251,624	263,339
CURRENT ASSETS			
Amounts due from associates	*20*	26,650	23,620
Properties held for sale	*25*	520,064	418,784
Gross amount due from contract customers	*26*	5,247	7,334
Inventories	*27*	1,497	2,604
Accounts receivable	*28*	59,472	56,850
Prepayments, deposits and other receivables	*29*	30,290	35,870
Cash and cash equivalents	*30*	53,807	31,087
Pledged deposits	*30*	31,331	21,465
		728,358	597,614
Non-current asset classified as held for sale	*31*	9,295	–
Total current assets		737,653	597,614
CURRENT LIABILITIES			
Gross amount due to contract customers	*26*	38,626	35,564
Accounts payable	*32*	44,269	32,861
Other payables and accruals	*33*	171,116	129,679
Amounts due to associates	*20*	262	547
Amounts due to minority shareholders	*24*	19,529	17,360
Amounts due to related companies	*34*	27,166	23,813
Tax payable		45,914	31,747
Convertible notes	*37*	15,721	–
Interest-bearing bank and other borrowings	*35*	97,563	60,109
Total current liabilities		460,166	331,680
NET CURRENT ASSETS		277,487	265,934
TOTAL ASSETS LESS CURRENT LIABILITIES		529,111	529,273

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Convertible notes	37	–	15,274
Interest-bearing bank and other borrowings	35	32,205	39,654
Deferred tax liabilities	36	19,252	14,247
Total non-current liabilities		51,457	69,175
Net assets		477,654	460,098
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	38	56,697	57,274
Reserves	40(a)	416,091	399,040
Equity component of convertible notes	37	1,259	1,259
		474,047	457,573
Minority interests		3,607	2,525
Total equity		477,654	460,098

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2009

		Attributable to equity holders of the Company														
	Notes	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Equity component of convertible notes	Reserve funds	Retained profits	Total	Minority interests	Total equity
		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 2007		57,268	122,563	15,262	28,841	(9,121)	9,362	10,830	1,814	1,081	1,259	3,260	172,411	414,830	1,912	416,742
Exchange realignment		–	–	–	–	–	–	15,206	–	–	–	–	–	15,206	1,422	16,628
Share of reserves of associates		–	–	–	–	–	–	508	(564)	–	–	–	–	(56)	–	(56)
Revaluation surplus on leasehold buildings	*14*	–	–	–	13,253	–	–	–	–	–	–	–	–	13,253	–	13,253
Deferred tax on revaluation surplus on leasehold buildings	*36*	–	–	–	(2,876)	–	–	–	–	–	–	–	–	(2,876)	–	(2,876)
Reversal of deferred tax liability upon disposal of a leasehold building	*36*	–	–	–	378	–	–	–	–	–	–	–	–	378	–	378
Release upon disposal of a leasehold building		–	–	–	(4,437)	–	–	–	–	–	–	–	4,437	–	–	–
Release of revaluation reserve		–	–	–	(977)	–	–	–	–	–	–	–	977	–	–	–
Total income and expense for the year recognised directly in equity		–	–	–	5,341	–	–	15,714	(564)	–	–	–	5,414	25,905	1,422	27,327
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	–	–	16,893	16,893	(470)	16,423
Total income and expense for the year		–	–	–	5,341	–	–	15,714	(564)	–	–	–	22,307	42,798	952	43,750
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	–	–	(256)	(256)
Disposal of subsidiaries	*41*	–	–	–	–	–	–	(304)	–	–	–	–	–	(304)	(83)	(387)
Repurchase of shares	*38*	(74)	(179)	–	–	–	74	–	–	–	–	–	(74)	(253)	–	(253)
Exercise of share options	*38*	80	258	–	–	–	–	–	–	(66)	–	–	–	272	–	272
Share repurchase expenses	*38*	–	(2)	–	–	–	–	–	–	–	–	–	–	(2)	–	(2)
Share issue expenses	*38*	–	(147)	–	–	–	–	–	–	–	–	–	–	(147)	–	(147)
Share options expired during the year	*39*	–	–	–	–	–	–	–	–	(1,015)	–	–	1,015	–	–	–
Equity-settled share option arrangements	*39*	–	–	–	–	–	–	–	–	379	–	–	–	379	–	379
At 31 March 2008		57,274	122,493*	15,262*	34,182*	(9,121)*	9,436*	26,240*	1,250*	379*	1,259	3,260*	195,659*	457,573	2,525	460,098

		Attributable to equity holders of the Company														
	Notes	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Equity component of convertible notes	Reserve funds	Retained profits	Total	Minority interests	Total equity
		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 2008		57,274	122,493	15,262	34,182	(9,121)	9,436	26,240	1,250	379	1,259	3,260	195,659	457,573	2,525	460,098
Exchange realignment		–	–	–	–	–	–	1,975	–	–	–	–	–	1,975	213	2,188
Share of reserves of associates		–	–	–	–	–	–	108	(194)	–	–	–	–	(86)	–	(86)
Revaluation surplus on leasehold buildings	*14*	–	–	–	4,520	–	–	–	–	–	–	–	–	4,520	–	4,520
Deferred tax on revaluation surplus on leasehold buildings	*36*	–	–	–	(1,225)	–	–	–	–	–	–	–	–	(1,225)	–	(1,225)
Release of revaluation reserve		–	–	–	(946)	–	–	–	–	–	–	–	946	–	–	–
Total income and expense for the year recognised directly in equity		–	–	–	2,349	–	–	2,083	(194)	–	–	–	946	5,184	213	5,397
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	12,570	12,570	1,090	13,660
Total income and expense for the year		–	–	–	2,349	–	–	2,083	(194)	–	–	–	13,516	17,754	1,303	19,057
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	–	–	(221)	(221)
Repurchase of shares	*38*	(577)	(686)	–	–	–	577	–	–	–	–	–	(577)	(1,263)	–	(1,263)
Share repurchase expenses	*38*	–	(17)	–	–	–	–	–	–	–	–	–	–	(17)	–	(17)
Share options expired during the year	*39*	–	–	–	–	–	–	–	–	(379)	–	–	379	–	–	–
At 31 March 2009		56,697	121,790*	15,262*	36,531*	(9,121)*	10,013*	28,323*	1,056*	–*	1,259	3,260*	208,977*	474,047	3,607	477,654

* These reserve accounts comprise the consolidated reserves of HK$416,091,000 (2008: HK$399,040,000) in the consolidated balance sheet.

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 capital reserve of the Group as at 1 April 2008 and 31 March 2009 comprised goodwill arising from the acquisition of subsidiaries prior to 1 April 2002 as detailed in note 17.

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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		38,614	40,238
From a discontinued operation	12	–	(5,152)
Adjustments for:			
Finance costs	7	7,613	5,557
Share of profits and losses of:			
A jointly-controlled entity		10,708	243
Associates		259	(1,147)
Interest income	5	(1,206)	(2,726)
Fair value gain on investment properties, net	15	(2,599)	–
Dividend income from available-for-sale investments	5	–	(6,810)
Gain on disposal of subsidiaries	41	–	(3,163)
Equity-settled share option expense	6	–	379
Net gain on disposal of a leasehold building	5, 6	–	(12,819)
Loss on disposal of items of property, plant and equipment	6	39	234
Depreciation	6	3,756	6,515
Recognition of prepaid land lease payments	6	139	249
Provision for inventories	6	136	107
Impairment of an amount due from a jointly-controlled entity	6	3,174	243
Impairment of an available-for-sale investment	6	–	2,400
Impairment of an amount due from an investee	6	–	3,840
Impairment of accounts receivable	6	5,113	3,165
Reversal of impairment of accounts receivable	6	(2,623)	(5,407)
Impairment of other receivables	6	153	965
Reversal of impairment of other receivables	6	(900)	(3,933)
		62,376	22,978
Decrease/(increase) in completed properties		(115,134)	43,261
Decrease/(increase) in properties under development		16,990	(46,645)
Decrease in gross amount due from contract customers		2,809	5,143
Decrease/(increase) in inventories		971	(310)
Decrease/(increase) in accounts receivable		(5,062)	11,980
Decrease/(increase) in prepayments, deposits and other receivables		6,632	(15,380)
Increase in gross amount due to contract customers		3,062	6,460
Increase/(decrease) in accounts payable		11,218	(3,378)
Increase/(decrease) in other payables and accruals		40,768	(34,378)
Cash generated from/(used in) operations – page 35		24,630	(10,269)

	Notes	2009 HK$'000	2008 HK$'000
Cash generated from/(used in) operations – page 34		24,630	(10,269)
Interest paid		(9,815)	(5,139)
Hong Kong profits tax paid		(9)	–
Overseas taxes paid		(7,362)	(12,983)
Net cash inflow/(outflow) from operating activities		7,444	(28,391)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,206	2,726
Dividends received from available-for-sale investments		–	6,810
Dividends received from associates		960	2,740
Purchases of items of property, plant and equipment		(6,563)	(6,180)
Additions of investment properties		–	(33,087)
Increase in financial assets at fair value through profit or loss		–	(2,234)
Proceeds from disposal of items of property, plant and equipment		144	27,179
Disposal of subsidiaries	*41*	–	921
Advance to a jointly-controlled entity		(990)	(1,969)
Capital injection to an associate		–	(2,020)
Repayment from/(advances to) associates, net		(3,315)	1,098
Repayment from investees		–	11,481
Decrease/(increase) in pledged deposits		(9,866)	50,989
Net cash inflow/(outflow) from investing activities		(18,424)	58,454
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of the Company's shares	*38*	(1,263)	(253)
Proceeds from issue of shares	*38*	–	272
Share repurchase expenses	*38*	(17)	(2)
Share issue expenses	*38*	–	(147)
New bank and other borrowings		66,085	62,100
Repayment of bank and other borrowings		(34,343)	(130,859)
Advances from related companies, net		3,353	23,813
Advances from minority shareholders		2,169	5,536
Dividends paid to minority shareholders		(221)	(256)
Net cash inflow/(outflow) from financing activities		35,763	(39,796)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS – page 36		24,783	(9,733)

	Notes	2009 HK$'000	2008 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS – page 35		24,783	(9,733)
Cash and cash equivalents at beginning of year		5,153	11,306
Effect of foreign exchange rate changes, net		303	3,580
CASH AND CASH EQUIVALENTS AT END OF YEAR		30,239	5,153
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*30*	53,807	31,087
Bank overdrafts, secured	*35*	(23,568)	(25,934)
		30,239	5,153

BALANCE SHEET
31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	352,683	357,679
CURRENT ASSETS			
Prepayment	29	34	23
Cash and cash equivalents	30	64	72
Total current assets		98	95
CURRENT LIABILITIES			
Accruals	33	1,421	786
Convertible notes	37	15,721	–
Total current liabilities		17,142	786
NET CURRENT LIABILITIES		(17,044)	(691)
TOTAL ASSETS LESS CURRENT LIABILITIES		335,639	356,988
NON-CURRENT LIABILITIES			
Convertible notes	37	–	15,274
Net assets		335,639	341,714
EQUITY			
Issued capital	38	56,697	57,274
Reserves	40(b)	277,683	283,181
Equity component of convertible notes	37	1,259	1,259
Total equity		335,639	341,714

NOTES TO FINANCIAL STATEMENTS

31 March 2009

1. CORPORATE INFORMATION

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

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

- the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and Mainland China;
- property development and investment; and
- trading of medical equipments, provision of related installation and maintenance services.

In the prior year, the Group disposed of and discontinued its operation of fitness centres and trading of fitness equipments. Further details regarding the discontinued operation are set out in note 12 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold buildings, investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. Non-current asset held for sale is stated at the lower of its carrying amount and fair value less cost to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	*First-time Adoption of HKFRSs* [2]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers [6]
HKFRSs (Amendments)	Improvements to HKFRSs [7]*

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 October 2008

[5] Effective for annual periods ending on or after 30 June 2009

[6] Effective for transfers of assets from customers received on or after 1 July 2009

[7] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 7, HKFRS 8, HKAS 1, HKAS 7, HKAS 8, HKAS 10, HKAS 16, HKAS 17, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40, HKAS 41, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

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

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

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated capital reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit becomes impaired.

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

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

Leasehold buildings	2.5% on the straight-line basis
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	15% on the reducing balance basis
Office equipment	15% on the reducing balance basis
Tools and equipment	15% on the reducing balance basis
Motor vehicles	15% on the reducing balance basis

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each balance sheet date.

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

Investment properties

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

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Non-current asset held for sale

Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary to the sale of such an asset and its sale must be highly probable.

Non-current asset classified as held for sale is measured at the lower of its carrying amount and fair value less cost to sell.

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or is not classified in any of the other two categories above. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

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

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for an available-for-sale equity investment when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment loss on equity instrument classified as available for sale is not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and other borrowings)

Financial liabilities including accounts payable, other payables, amounts due to associates, amounts due to minority shareholders, amounts due to related companies and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Inventories

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

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Properties held for sale

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

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

Cash and cash equivalents

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

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

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

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

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

(c) from the rendering of services, when the services are rendered or on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above;

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

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

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

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in note 39 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 April 2005 and to those granted on or after 1 April 2005.

Other employee benefits

Pension schemes

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Land appreciation tax

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

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

Estimation uncertainty

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

Estimation of fair value of investment properties

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

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

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

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

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amount of investment properties at 31 March 2009 was HK$181,704,000 (2008: HK$134,040,000).

Estimates regarding the realisability of deferred tax assets

Estimating the amount for deferred tax assets arising from tax losses requires a process that involves determining appropriate provisions for taxation, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future taxable profits. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of the unrecognised tax losses of the Group are set out in note 36 to the financial statements.

Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

Impairment of accounts receivable

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

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the construction business segment is engaged in construction contract works as a main contractor as well as the provision of contracting intelligent building engineering and 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 provision of related installation and maintenance services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets.

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.

(a) Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditures information for the Group's business segments for the years ended 31 March 2009 and 2008.

	Continuing operations								Discontinued operation			
	Construction business		Property development and investment business		Others		Total		Operation of fitness centres and trading of fitness equipment business		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:												
Sales to external customers	591,014	445,680	94,990	128,140	12,190	25,967	698,194	599,787	–	28,334	698,194	628,121
Other income and gains	1,952	13,698	4,397	6,163	–	391	6,349	20,252	–	1,026	6,349	21,278
Total	592,966	459,378	99,387	134,303	12,190	26,358	704,543	620,039	–	29,360	704,543	649,399
Segment results	16,005	5,204	46,241	40,141	(667)	(1,556)	61,579	43,789	–	(8,272)	61,579	35,517
Interest income and dividend income							1,206	9,519	–	17	1,206	9,536
Impairment of an available-for-sale investment							–	(2,400)	–	–	–	(2,400)
Gain on disposal of subsidiaries							–	–	–	3,163	–	3,163
Unallocated expenses							(5,591)	(6,077)	–	–	(5,591)	(6,077)
Finance costs							(7,613)	(5,497)	–	(60)	(7,613)	(5,557)
Share of profits and losses of:												
A jointly-controlled entity	(10,708)	(243)	–	–	–	–	(10,708)	(243)	–	–	(10,708)	(243)
Associates	(259)	1,147	–	–	–	–	(259)	1,147	–	–	(259)	1,147
Profit/(loss) before tax							38,614	40,238	–	(5,152)	38,614	35,086
Tax							(24,954)	(18,671)	–	8	(24,954)	(18,663)
Profit/(loss) for the year							13,660	21,567	–	(5,144)	13,660	16,423

	Continuing operations								Discontinued operation			
	Construction business		Property development and investment business		Others		Total		Operation of fitness centres and trading of fitness equipment business		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities:												
Segment assets	130,217	128,214	763,017	598,005	3,934	61,016	897,168	787,235	–	–	897,168	787,235
Interest in a jointly-controlled entity	–	12,892	–	–	–	–	–	12,892	–	–	–	12,892
Interests in associates	(2,408)	8,192	–	–	–	–	(2,408)	8,192	–	–	(2,408)	8,192
Non-current asset classified as held for sale	9,295	–	–	–	–	–	9,295	–	–	–	9,295	–
Unallocated assets							85,222	52,634	–	–	85,222	52,634
Total assets							989,277	860,953	–	–	989,277	860,953
Segment liabilities	(141,825)	(113,987)	(155,282)	(116,734)	(1,942)	(5,666)	(299,049)	(236,387)	–	–	(299,049)	(236,387)
Unallocated liabilities							(212,574)	(164,468)	–	–	(212,574)	(164,468)
Total liabilities							(511,623)	(400,855)	–	–	(511,623)	(400,855)
Other segment information:												
Depreciation	1,719	2,077	1,048	469	989	2,512	3,756	5,058	–	1,457	3,756	6,515
Recognition of prepaid land lease payments	139	249	–	–	–	–	139	249	–	–	139	249
Fair value gain of investment properties, net	–	–	(2,599)	–	–	–	(2,599)	–	–	–	(2,599)	–
Net gain on disposal of a leasehold building	–	(12,819)	–	–	–	–	–	(12,819)	–	–	–	(12,819)
Loss/(gain) on disposal of items of property, plant and equipment	(3)	156	42	–	–	–	39	156	–	78	39	234
Impairment of an amount due from a jointly-controlled entity	3,174	243	–	–	–	–	3,174	243	–	–	3,174	243
Impairment of an amount due from an investee	–	3,840	–	–	–	–	–	3,840	–	–	–	3,840
Impairment of accounts receivable	2,816	–	1,290	2,965	1,007	–	5,113	2,965	–	200	5,113	3,165
Reversal of impairment of accounts receivable	(186)	(128)	(2,437)	(5,279)	–	–	(2,623)	(5,407)	–	–	(2,623)	(5,407)
Impairment of other receivables	153	965	–	–	–	–	153	965	–	–	153	965
Reversal of impairment of other receivables	(900)	(3,933)	–	–	–	–	(900)	(3,933)	–	–	(900)	(3,933)
Provision for inventories	–	–	–	–	136	107	136	107	–	–	136	107
Capital expenditure	358	220	5,953	51,132	252	3,204	6,563	54,556	–	1,185	6,563	55,741

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2009 and 2008.

	Hong Kong		**Mainland China**		**Consolidated**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	282,486	262,916	415,708	365,205	698,194	628,121
Attributable to a discontinued operation	–	(6,170)	–	(22,164)	–	(28,334)
Revenue from continuing operations	282,486	256,746	415,708	343,041	698,194	599,787
Other segment information:						
Segment assets	114,372	127,007	874,905	733,946	989,277	860,953
Capital expenditure	483	1,248	6,080	54,493	6,563	55,741

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross revenue earned from construction works and the net amount of maintenance works invoiced, property development and investment business, trading of medical equipment, provision of related installation and maintenance services and an appropriate proportion of income from operation of fitness centres and trading of fitness equipment.

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

		Group	
		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
Revenue			
Income from construction contracting and related business		591,014	445,680
Income from property development and investment business		94,990	128,140
Income from trading of medical equipment, provision of related installation and maintenance services		12,190	25,967
Attributable to continuing operations reported in the consolidated income statement		698,194	599,787
Income from operation of fitness centres and trading of fitness equipment attributable to a discontinued operation	*12*	–	28,334
		698,194	628,121
Other income and gains			
Bank interest income		611	1,626
Other interest income		595	1,083
Gross rental income	*6*	3,210	3,919
Dividend income from available-for-sale investments		–	6,810
Net gain on disposal of a leasehold building	*6*	–	12,819
Others		3,139	3,514
Attributable to continuing operations reported in the consolidated income statement		7,555	29,771
Other income and gains from operation of fitness centres and trading of fitness equipment attributable to a discontinued operation:			
Bank interest income	*12*	–	17
Others	*12*	–	1,026
		7,555	30,814

6. PROFIT BEFORE TAX

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

		Group	
		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
Cost of properties sold		42,599	84,146
Cost of construction contracting		536,092	419,114
Cost of inventories sold and services provided		8,410	22,488
Auditors' remuneration		1,680	2,110
Depreciation	*14*	3,756	6,515
Recognition of prepaid land lease payments	*16*	139	249
Minimum lease payments under operating leases on land and buildings		2,702	5,652
Gain on disposal of a leasehold building		–	(19,836)
Less: Derecognition of prepaid land lease payments	*16*	–	7,017
Net gain on disposal of a leasehold building	*5*	–	(12,819)
Loss on disposal of items of property, plant and equipment^		39	234
Gross rental income	*5*	(3,210)	(3,919)
Less: Outgoings		122	200
Net rental income		(3,088)	(3,719)
Employee benefit expense (including Directors' emoluments – note 8):			
Wages and salaries		31,990	39,145
Equity-settled share option expense	*39*	–	379
Pension schemes contributions*		755	1,107
Less: Amount capitalised		(2,372)	(2,702)
		30,373	37,929
Foreign exchange differences, net^		(1,418)	839
Provision for inventories		136	107
Impairment of an amount due from a jointly-controlled entity^		3,174	243
Impairment of an available-for-sale investment^		–	2,400
Impairment of an amount due from an investee^		–	3,840
Impairment of accounts receivable^	*28*	5,113	3,165
Reversal of impairment of accounts receivable^	*28*	(2,623)	(5,407)
Impairment of other receivables^	*29*	153	965
Reversal of impairment of other receivables^	*29*	(900)	(3,933)

* At 31 March 2009, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2008: Nil).

^ These amounts are included in "Other operating expenses" on the face of the consolidated income statement.

The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

7. FINANCE COSTS

	Group 2009 HK$'000	2008 HK$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	9,185	11,410
Interest on convertible notes	1,077	1,050
Total interest expense on financial liabilities not at fair value through profit or loss	10,262	12,460
Less: Interest capitalised on properties under development	(2,649)	(6,903)
	7,613	5,557
Attributable to continuing operations reported in the consolidated income statement	7,613	5,497
Attributable to a discontinued operation *(note 12)*	–	60
	7,613	5,557

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group 2009 HK$'000	2008 HK$'000
Fees	312	360
Other emoluments:		
Salaries and allowances	3,538	4,075
Equity-settled share option expense	–	130
Pension schemes contributions	76	114
	3,614	4,319
	3,926	4,679

In the prior year, the directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 39 to the financial statements. The fair value of such options, which had been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount is included in the above directors' remuneration disclosures.

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	Fees	Equity-settled share option expense	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
2009			
Dr. Ho Chung Tai, Raymond	120	–	120
Mr. Siu Man Po	96	–	96
Mr. Wong Shing Kay, Oliver	96	–	96
	312	–	312
2008			
Dr. Ho Chung Tai, Raymond	144	2	146
Mr. Siu Man Po	120	2	122
Mr. Wong Shing Kay, Oliver	96	–	96
	360	4	364

There were no other emoluments payable to the independent non-executive Directors during the year (2008: Nil).

(b) Executive Directors

	Fees	Salaries and allowances	Equity-settled share option expense	Pension schemes contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Mr. Wang Ke Duan	–	540	–	–	540
Mr. Tjia Boen Sien	–	1,338	–	12	1,350
Mr. Wang Jing Ning	–	480	–	12	492
Mr. Keung Kwok Cheung	–	963	–	46	1,009
Mr. Ong Chi King*	–	217	–	6	223
	–	3,538	–	76	3,614
2008					
Mr. Wang Ke Duan	–	540	–	–	540
Mr. Tjia Boen Sien	–	1,431	7	24	1,462
Mr. Wang Jing Ning	–	480	14	12	506
Mr. Keung Kwok Cheung	–	946	35	46	1,027
Mr. Ong Chi King*	–	678	70	32	780
	–	4,075	126	114	4,315

* Mr. Ong Chi King resigned as an executive Director on 27 June 2008.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2008: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2008: three) Directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2008: two) non-director, highest paid employees for the year are as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Salaries and allowances	1,904	1,264
Pension schemes contributions	53	40
	1,957	1,304

The remuneration of these three (2008: two) non-director, highest paid employees for the year fell within the band of nil to HK$1,000,000.

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/09, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. No Hong Kong profits tax had been provided in the prior year as the Group's subsidiaries either did not generate any assessable profits arising in Hong Kong during that year or had available tax losses brought forward from prior years to offset the assessable profits generated during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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	
	2009	**2008**
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	9	–
Current – Elsewhere		
Charge for the year	9,360	8,095
Underprovision/(overprovision) in prior years	(21)	4,657
Deferred *(note 36)*	3,757	262
LAT in Mainland China	11,849	5,657
Total tax charge for the year	24,954	18,671

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Profit before tax (including loss from a discontinued operation)	38,614	35,086
Tax at the statutory tax rate of 16.5% (2008: 17.5%)	6,371	6,140
Effect of different rates for companies operating in other jurisdictions	4,221	3,453
Effect on opening deferred tax of decrease in rates	(31)	–
Adjustments in respect of current tax of previous periods	(21)	4,657
Profits and losses attributable to associates	43	(201)
Profits and losses attributable to a jointly-controlled entity	1,767	43
Income not subject to tax	(3,465)	(5,686)
Expenses not deductible for tax	1,675	1,993
Effect of withholding tax at 10% or 5% on the distributable profits of the Group's PRC subsidiaries	3,108	–
Tax losses utilised from previous periods	(2,392)	(446)
Tax losses and temporary differences not recognised	1,891	3,091
LAT	11,849	5,657
Others	(62)	(38)
Tax charge at the Group's effective rate of 64.6% (2008: 53.2%)	24,954	18,663
Represented by:		
Tax credit attributable to a discontinued operation *(note 12)*	–	(8)
Tax charge attributable to continuing operations reported in the consolidated income statement	24,954	18,671
	24,954	18,663

The share of tax attributable to the jointly-controlled entity and associates amounting to nil (2008: HK$4,000) and HK$498,000 (2008: HK$1,948,000), respectively, are included in "Share of profits and losses of a jointly-controlled entity and associates" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 March 2009 includes a loss of HK$4,795,000 (2008: a loss of HK$5,198,000) which has been dealt with in the financial statements of the Company (note 40(b)).

12. DISCONTINUED OPERATION

On 27 September 2007, the Company announced the decision of its board of directors to dispose of its entire interest in Fitness Concept Limited ("FCL") and its subsidiaries (the "Disposed Group"). The Disposed Group is engaged in the operation of fitness centres and trading of fitness equipment and is a separate business segment. The disposal of the Disposed Group was completed on 30 September 2007.

The results of the Disposed Group for the prior year are presented below:

	2008
	HK$'000
Revenue, other income and gains *(note 5)*	29,377
Expenses	(37,632)
Finance costs *(note 7)*	(60)
Loss of the discontinued operation	(8,315)
Gain on disposal of the Disposed Group	3,163
Loss before tax from the discontinued operation	(5,152)
Tax credit *(note 10)*	8
Loss for the year from the discontinued operation	(5,144)
Attributable to:	
Equity holders of the Company	(5,127)
Minority interests	(17)
	(5,144)

The net cash flows incurred by the Disposed Group were as follows:

	2008
	HK$'000
Operating activities	(2,205)
Investing activities	(1,136)
Financing activities	2,753
Net cash outflow	(588)
Loss per share:	
Basic, from the discontinued operation	(0.90 cent)
Diluted, from the discontinued operation	(0.84 cent)

The calculations of basic and diluted loss per share from the discontinued operation were based on:

	2008
Loss attributable to ordinary equity holders of the Company from the discontinued operation	HK$5,127,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	572,634,425
Weighted average number of ordinary shares used in the diluted earnings per share calculation	608,331,739

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the share repurchase during the year ended 31 March 2009.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation is the 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.

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	12,570	22,020
From a discontinued operation	–	(5,127)
	12,570	16,893
Interest on convertible notes	1,077	1,050
Profit attributable to ordinary equity holders of the Company before interest on convertible notes	13,647	17,943
Attributable to:		
Continuing operations	13,647	23,070
Discontinued operation	–	(5,127)
	13,647	17,943

	Number of shares	
	2009	**2008**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	570,127,894	572,634,425
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	697,314
Convertible notes	35,000,000	35,000,000
	605,127,894*	608,331,739

* Because the diluted earnings per share amount is increased when taking the convertible notes into account, the convertible notes had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit for the year of HK$12,570,000 and the weighted average of 570,127,894 ordinary shares in issue during the year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Tools and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 March 2009							
At 31 March 2008 and at 1 April 2008:							
Cost or valuation	93,128	1,768	3,340	6,151	6,259	6,400	117,046
Accumulated depreciation	–	(1,766)	(1,817)	(4,936)	(3,656)	(4,747)	(16,922)
Net carrying amount	93,128	2	1,523	1,215	2,603	1,653	100,124
At 1 April 2008, net of accumulated depreciation	93,128	2	1,523	1,215	2,603	1,653	100,124
Additions	–	5,343	154	685	100	281	6,563
Disposals	–	–	(1)	(94)	–	(88)	(183)
Surplus on revaluation	4,520	–	–	–	–	–	4,520
Depreciation provided during the year	(1,563)	(418)	(264)	(458)	(693)	(360)	(3,756)
Transfer to investment properties *(note 15)*	(43,005)	–	–	–	–	–	(43,005)
Exchange realignment	28	–	12	7	29	11	87
At 31 March 2009	53,108	4,927	1,424	1,355	2,039	1,497	64,350
At 31 March 2009:							
Cost or valuation	53,108	7,126	3,505	6,582	6,408	6,406	83,135
Accumulated depreciation	–	(2,199)	(2,081)	(5,227)	(4,369)	(4,909)	(18,785)
Net carrying amount	53,108	4,927	1,424	1,355	2,039	1,497	64,350
Analysis of cost or valuation:							
At cost	–	7,126	3,505	6,582	6,408	6,406	30,027
At valuation	53,108	–	–	–	–	–	53,108
	53,108	7,126	3,505	6,582	6,408	6,406	83,135

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2008							
At 1 April 2007:							
Cost or valuation	86,094	8,167	4,983	7,392	17,453	5,601	129,690
Accumulated depreciation	(2,216)	(3,766)	(3,263)	(4,809)	(6,003)	(4,324)	(24,381)
Net carrying amount	83,878	4,401	1,720	2,583	11,450	1,277	105,309
At 1 April 2007, net of accumulated depreciation	83,878	4,401	1,720	2,583	11,450	1,277	105,309
Additions	3,409	563	148	651	636	773	6,180
Disposals	(7,343)	(49)	(154)	(31)	–	–	(7,577)
Disposal of subsidiaries *(note 41)*	–	(4,367)	–	(1,393)	(8,700)	(131)	(14,591)
Surplus on revaluation	13,253	–	–	–	–	–	13,253
Depreciation provided during the year	(3,362)	(691)	(278)	(616)	(1,246)	(322)	(6,515)
Exchange realignment	3,293	145	87	21	463	56	4,065
At 31 March 2008	93,128	2	1,523	1,215	2,603	1,653	100,124
At 31 March 2008:							
Cost or valuation	93,128	1,768	3,340	6,151	6,259	6,400	117,046
Accumulated depreciation	–	(1,766)	(1,817)	(4,936)	(3,656)	(4,747)	(16,922)
Net carrying amount	93,128	2	1,523	1,215	2,603	1,653	100,124
Analysis of cost or valuation:							
At cost	–	1,768	3,340	6,151	6,259	6,400	23,918
At valuation	93,128	–	–	–	–	–	93,128
	93,128	1,768	3,340	6,151	6,259	6,400	117,046

The Group's leasehold buildings, except for a property located in Hong Kong with a carrying value of HK$1,413,000 as at 31 March 2009 (the "Property"), were revalued individually at the balance sheet date by B.I. Appraisals Limited, independent professionally qualified valuers, at an aggregate open market value of HK$51,695,000 based on their existing use. In the opinion of the Directors, the carrying value of the Property approximates to its fair value as at 31 March 2009 with reference to recent market transactions. A revaluation surplus of HK$4,520,000 (2008: HK$13,253,000) resulting from the revaluation has been credited to the property revaluation reserve.

Details of the leasehold buildings are as follows:

	Group 2009	Group 2008
	HK$'000	*HK$'000*
Long term lease:		
Hong Kong	1,413	1,475
Medium term leases:		
Hong Kong	37,000	39,400
Mainland China	14,695	52,253
	53,108	93,128

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$17,807,000 as at 31 March 2009 (2008: HK$55,036,000).

As at 31 March 2009, certain leasehold buildings of the Group with aggregate carrying amounts of HK$38,413,000 (2008: HK$83,880,000) were pledged to secure certain banking facilities granted to the Group (note 35).

15. INVESTMENT PROPERTIES

	Group 2009	Group 2008
	HK$'000	*HK$'000*
Carrying amount at 1 April	134,040	80,106
Additions	–	49,561
Net profit from fair value adjustment	2,599	–
Transfer from owner-occupied property *(note 14)*	43,005	–
Exchange realignment	2,060	4,373
Carrying amount at 31 March	181,704	134,040

The Group's investment properties are situated in Mainland China and are held under the following lease terms:

	2009	2008
	HK$'000	*HK$'000*
Long term lease	129,950	134,040
Medium term lease	51,754	–
	181,704	134,040

The Group's investment properties were revalued on 31 March 2009 by B.I. Appraisals Limited, independent professionally qualified valuers, at HK$181,704,000, on an open market, existing use basis.

As at 31 March 2009, the investment properties of the Group with aggregate carrying amounts of HK$181,704,000 (2008: HK$134,040,000) were pledged to secure certain banking facilities granted to the Group (note 35).

As at 31 March 2009, investment properties of the Group with carrying amounts of HK$129,950,000 (2008: Nil) and HK$51,754,000 (2008: Nil) were leased to an independent third party and a related company under operating leases, respectively.

Further particulars of the Group's investment properties are included on page 19.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Carrying amount at 1 April	5,996	13,262
Recognised during the year	(139)	(249)
Derecognised during the year	–	(7,017)
Carrying amount at 31 March	5,857	5,996
Current portion included in prepayments, deposits and other receivables	(139)	(139)
Non-current portion	5,718	5,857

An analysis of the carrying amounts of prepaid land lease payments of the Group at the balance sheet date is as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Situated in Hong Kong and held under:		
Medium term lease	4,975	5,106
Long term lease	882	890
	5,857	5,996

At 31 March 2009, the leasehold land of the Group was pledged to secure certain banking facilities granted to the Group (note 35).

17. GOODWILL

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Cost	–	4,000
Accumulated impairment	–	(4,000)
Disposal of subsidiaries *(note 41)*	–	–
Net carrying amount	–	–

As at 1 April 2005, Mega Fitness (Shanghai) Investments Limited was a 75%-owned subsidiary of the Company. Subsequently, the remaining 25% equity interest in Mega Fitness (Shanghai) Investments Limited with no carrying value was acquired by the Group at a cash consideration of HK$4,000,000, resulting in goodwill of HK$4,000,000. As the estimated recoverable amount arising from Mega Fitness (Shanghai) Investments Limited was of minimal amount, this resulted in an impairment loss of HK$4,000,000.

In the prior year, Mega Fitness (Shanghai) Investments Limited was disposed of by the Group.

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against the consolidated capital reserve.

The amount of goodwill remaining in consolidated capital reserve, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, amounted to HK$9,121,000 as at 31 March 2009 and 2008.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted shares, at cost	156,031	156,031
Due from subsidiaries	196,652	201,648
	352,683	357,679

The amounts advanced to the subsidiaries included in interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these advances are considered as quasi-equity loans to the subsidiaries.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued share/registered capital	Class of shares held	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Chang De Architectural & Decoration Co., Ltd. (a)*	PRC/Mainland China	RMB16,000,000	(ii)	–	60	Decoration engineering
Deson Development Holdings Limited	British Virgin Islands/Hong Kong	US$200	Ordinary	100	–	Investment holding
Deson Development Limited	Hong Kong	HK$20,000,100 HK$20,000,000	Class A Class B (i)	–	100	Construction contracting and investment holding
Deson Industries Limited	British Virgin Islands/Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson Property Development (Kaifeng) Co., Ltd. (b)*	PRC/Mainland China	HK$70,000,000	(ii)	–	100	Property development
Deson Ventures Limited	British Virgin Islands/Hong Kong	US$1	Ordinary	–	100	Investment holding
Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. (b)*	PRC/Mainland China	US$6,400,000	(ii)	–	100	Property development
Kenworth Engineering Limited	Hong Kong	HK$54,374,140 HK$20,000,000	Ordinary Preference (iii)	–	100	Provision of electrical and mechanical engineering services

Name	Place of incorporation or registration/ operations	Nominal value of issued share/registered capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
惠州怡海房地產開發有限公司 (b)*	PRC/Mainland China	HK$37,000,000	(ii)	–	60	Property development
Medical Technologies Limited	Hong Kong	HK$10,000	Ordinary	–	100	Trading of medical equipment
Super Sight Investments Inc.*	British Virgin Islands/ Mainland China	US$1	Ordinary	–	100	Property development
上海迪申建築裝潢有限公司 (a)*	PRC/Mainland China	US$700,000	(ii)	–	100	Decoration engineering
Wonderful Hope Limited*	British Virgin Islands/ Mainland China	US$1	Ordinary	–	100	Property development
美格菲(成都)康體發展有限公司 (b)*	PRC/Mainland China	RMB15,000,000	(ii)	–	100	Property investment
海南亞豪置業有限公司 (b)*	PRC/Mainland China	RMB10,000,000	(ii)	–	100	Property investment

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

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

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

Notes:

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

(ii) The issued or paid-up capital of these subsidiaries is not classified.

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

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

19. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2009	2008
	HK$'000	*HK$'000*
Share of net liabilities	(13,495)	(2,787)
Due from a jointly-controlled entity	19,456	18,466
Impairment	(5,961)	(2,787)
	13,495	15,679
	–	12,892

The amount due from the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment except for an amount of HK$7,178,000 (2008: HK$7,178,000) which bears interest at the prime rate in Hong Kong plus 1% per annum. In the opinion of the Directors, this balance is considered as quasi-equity loan to the jointly-controlled entity.

Particulars of the jointly-controlled entity are as follows:

Name	Place of registration and operations	Nominal value of issued ordinary share capital	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Kenworth-Watfield Joint Venture Limited	Hong Kong	HK$1,000,000	50	50	50	Provision of electrical and mechanical engineering services

The investment in a jointly-controlled entity is held through a subsidiary of the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity extracted from its financial statements:

	2009	2008
	HK$'000	*HK$'000*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	1,939	9,245
Non-current assets	7	19
Current liabilities	(15,441)	(12,051)
Net liabilities	(13,495)	(2,787)
Share of the jointly-controlled entity's results:		
Revenue	–	1,586
Total expenses	(10,708)	(1,825)
Tax	–	(4)
Loss after tax	(10,708)	(243)

20. INTERESTS IN ASSOCIATES

	Group 2009 HK$'000	Group 2008 HK$'000
Share of net assets/(liabilities)	(2,408)	8,192
Due from associates	26,650	23,620
Due to associates	(262)	(547)

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

Particulars of the principal associates as at the balance sheet date are as follows:

Name	Particulars of issued shares held/registered paid-up capital	Place of incorporation/ registration and operations	Percentage of ownership attributable to the Group	Principal activities
Asia Construction Holdings Limited	Ordinary shares of HK$1	Hong Kong	49	Investment holding
Deson Metals Company Limited*	Ordinary shares of HK$1 each	Hong Kong/ Mainland China	40	Trading of construction materials
Fortune On Engineering Limited*	Ordinary shares of HK$1 each	Hong Kong	40	Property development
Visonic Deson Limited*	Ordinary shares of HK$1 each	Hong Kong	50	Selling, distribution and marketing of home security and automation products
海南亞豪物業管理有限公司* (ii)	Registered capital of RMB1,000,000 (i)	PRC/Mainland China	20	Property management

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

Notes:

(i) The issued or paid-up capital of this associate is not classified.

(ii) The remittance of dividends to the Group from this associate operating outside Hong Kong is subject to the availability of foreign currencies generated and retained by this associate.

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

During the year, the carrying amount of an interest in an associate, Fuzhou Jiandi Concrete Co., Ltd., amounting to HK$9,295,000 was reclassified as non-current asset classified as held for sale. Further details of the non-current asset classified as held for sale are included in note 31 to the financial statements.

The Group's shareholding in the associates comprises equity shares held through subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of certain associates because they exceeded the Group's interests in these associates. The Group's aggregate unrecognised share of losses of these associates for the current year and cumulatively amounted to HK$689,000 (2008: HK$324,000) and HK$1,533,000 (2008: HK$844,000), respectively.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts or financial statements:

	2009	**2008**
	HK$'000	*HK$'000*
Assets	67,529	107,670
Liabilities	76,872	91,179
Revenues	121,342	139,955
Losses	(699)	(643)

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted equity investments, at cost*	2,400	2,400
Impairment	(2,400)	(2,400)
	–	–

* Represented unlisted equity investments, at cost, of HK$2,400,079 (2008: HK$2,400,079).

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

An impairment was recognised for an unlisted equity investment with a carrying amount of HK$2,400,001 (before deducting the impairment loss) (2008: HK$2,400,001) because this investment has been loss-making for some time. There is no change in the impairment account during the current year.

As at 31 March 2009, an unlisted equity investment with a carrying amount of HK$78 (2008: HK$78) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Investment-linked deposits, at fair value	2,260	2,234

The above balances at 31 March 2009 were designated as financial assets at fair value through profit or loss at the date of inception as these financial assets contained embedded derivatives. The fair values of the above investment-linked deposits are determined based on the discounted cash flow.

As at 31 March 2009, one of the above investment-linked deposits with a carrying amount of HK$1,130,000 (2008: HK$1,117,000) was pledged to secure certain banking facilities granted to the Group (note 35).

23. AMOUNT DUE FROM AN INVESTEE

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Due from an investee	3,840	3,840
Impairment	(3,840)	(3,840)
	–	–

An impairment was recognised for an amount due from an investee with a carrying amount of HK$3,840,000 (before deducting the impairment loss) (2008: HK$3,840,000) because this investee has been loss-making for some time. There is no change in the impairment account during the current year.

The amount due from investee is unsecured, interest-free and repayable on demand. In the opinion of the Directors, this amount is classified as non-current asset as the Group has no intention of demanding repayment in the near future.

24. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts due to minority shareholders are unsecured, interest-free and repayable on demand.

25. PROPERTIES HELD FOR SALE

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Completed properties	315,253	199,358
Properties under development	204,811	219,426
	520,064	418,784

As at 31 March 2009, certain completed properties held for sale of the Group with aggregate carrying amounts of HK$79,065,000 (2008: Nil) were pledged to secure certain banking facilities granted to the Group (note 35).

In addition, certain completed properties held for sale of the Group with aggregate carrying amounts of HK$34,684,000 (2008: Nil) were pledged through the equity interest in a subsidiary to secure other loans amounting to HK$20,000,000 (2008: Nil) granted to the Group (note 35).

The application of the land use certificates of certain parcels of land with aggregate carrying value of HK$22,851,000 (2008: HK$27,803,000) were in progress at the balance sheet date.

Further particulars of the Group's properties held of sale are included on page 17 to 18.

26. CONSTRUCTION CONTRACTS

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Gross amount due from contract customers	5,247	7,334
Gross amount due to contract customers	(38,626)	(35,564)
	(33,379)	(28,230)
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	1,669,158	1,357,364
Less: Progress billings	(1,702,537)	(1,385,594)
	(33,379)	(28,230)

27. INVENTORIES

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Trading goods	1,497	2,604

28. ACCOUNTS RECEIVABLE

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Accounts receivable	73,580	74,664
Impairment	(21,443)	(22,443)
	52,137	52,221
Retention monies receivable	7,335	4,629
	59,472	56,850

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 180 days for the sale of completed properties held for sale. For retention monies receivable in respect of construction works carried out by the Group, the due dates are usually one year after the completion of the construction works. 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. Accounts receivable are non-interest-bearing.

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Current to 90 days	32,153	25,636
91 to 180 days	5,989	7,061
181 to 360 days	333	5,797
Over 360 days	13,662	13,727
	52,137	52,221
Retention monies receivable	7,335	4,629
Total	59,472	56,850

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
At 1 April	22,443	55,005
Impairment losses recognised *(note 6)*	5,113	3,165
Amount written off as uncollectible	(4,154)	(16,928)
Impairment losses reversed *(note 6)*	(2,623)	(5,407)
Disposal of subsidiaries *(note 41)*	–	(13,698)
Exchange realignment	664	306
At 31 March	21,443	22,443

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$21,443,000 (2008: HK$22,443,000) with a carrying amount of HK$21,443,000 (2008: HK$22,443,000). The individually impaired accounts receivable relate to customers that were in financial difficulties or the customers that were in default in repayments and the receivables were not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Neither past due nor impaired	36,952	30,020
Less than 3 months past due	3,938	7,731
3 to 6 months past due	67	2,070
More than 6 months past due	11,180	12,400
	52,137	52,221

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

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

None of the retention monies receivable is either past due or impaired.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	21,143	21,551	34	23
Deposits	1,241	2,071	–	–
	22,384	23,622	34	23
Other receivables	12,823	17,886	–	–
Impairment	(4,917)	(5,638)	–	–
	7,906	12,248	–	–
	30,290	35,870	34	23

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

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
At 1 April	5,638	8,499
Impairment losses recognised *(note 6)*	153	965
Amount written off as uncollectible	(4)	–
Impairment losses reversed *(note 6)*	(900)	(3,933)
Disposal of subsidiaries *(note 41)*	–	(192)
Exchange realignment	30	299
At 31 March	4,917	5,638

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

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances		53,807	31,087	64	72
Time deposits		31,331	21,465	–	–
		85,138	52,552	64	72
Less: Pledged deposits for banking facilities	*35*	(31,331)	(21,465)	–	–
Cash and cash equivalents		53,807	31,087	64	72

At the balance sheet date, the aggregate cash and bank balances and deposits of the Group denominated in Renminbi ("RMB") amounted to HK$50,208,000 (2008: HK$26,015,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

31. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Non-current asset classified as held for sale	9,295	–

Details of the asset held for sale are as follows:

Name	**Particulars of issued shares held/registered paid-up capital**	**Place of incorporation/ registration and operations**	**Percentage of ownership attributable to the Group**	**Principal activity**
Fuzhou Jiandi Concrete Co., Ltd.*	Registered capital of RMB15,000,000	PRC/Mainland China	40	Manufacture of concrete products

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

On 31 March 2009, the Group signed a sale and purchase agreement with an independent third party regarding the disposal of the Group's entire interest in the above associate, accordingly, the interest has been classified as an asset held for sale. As at 31 March 2009, the carrying amount of the interest approximates to the sale consideration as per the sales and purchase agreement less any expected costs to complete the transaction. The completion of the transaction is subject to the approval of the share transfer by the local PRC government authorities. Subsequent to the balance sheet date, the approval of the share transfer was obtained.

32. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Current to 90 days	36,713	25,544
91 to 180 days	260	2
181 to 360 days	277	1,043
Over 360 days	7,019	6,272
	44,269	32,861

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

33. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits received	3,120	5,678	–	–
Other payables	63,433	31,484	–	–
Accruals	104,563	92,517	1,421	786
	171,116	129,679	1,421	786

Other payables are non-interest-bearing and repayable on demand.

34. AMOUNTS DUE TO RELATED COMPANIES

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

35. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2009 *Contractual interest rate (%)*	2009 *Maturity*	2009 *HK$'000*	2008 *Contractual interest rate (%)*	2008 *Maturity*	2008 *HK$'000*
Current						
Bank loans – secured	5.94 to 13.50	2009 to 2010	25,990	7.74 to 10.94	2008 to 2009	14,409
Bank overdrafts – secured	Prime rate + 0.50	On demand	23,568	Prime rate + 0.50	On demand	25,934
Trust receipt loans – secured	Prime rate + 0.875	2009	22,355	Prime rate + 0.875	2008	19,766
Other loans – secured	12.00	2009 to 2010	20,000	–	–	–
Other loan – unsecured	13.00	2009	5,650	–	–	–
			97,563			60,109
Convertible notes *(note 37)*	4.00	2009	15,721	–	–	–
			113,284			60,109
Non-current						
Bank loans – secured	5.94 to 6.83	2011 to 2015	32,205	7.74 to 8.69	2010 to 2015	39,654
Convertible notes *(note 37)*	–	–	–	4.00	2009	15,274
			32,205			54,928
			145,489			115,037

Company	2009 *Contractual interest rate (%)*	2009 *Maturity*	2009 *HK$'000*	2008 *Contractual interest rate (%)*	2008 *Maturity*	2008 *HK$'000*
Current						
Convertible notes *(note 37)*	4.00	2009	15,721	–	–	–
Non-current						
Convertible notes *(note 37)*	–	–	–	4.00	2009	15,274
			15,721			15,274

	Group		Company	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Bank loans, overdrafts and trust receipt loans repayable:				
Within one year or on demand	71,913	60,109	–	–
In the second year	7,910	7,819	–	–
In the third to fifth years, inclusive	16,159	18,431	–	–
Beyond five years	8,136	13,404	–	–
	104,118	99,763	–	–
Other borrowings repayable:				
Within one year or on demand	41,371	–	15,721	–
In the second year	–	15,274	–	15,274
	41,371	15,274	15,721	15,274
	145,489	115,037	15,721	15,274

The carrying amounts of these bank and other borrowings approximate to their fair values as at the balance sheet date. The fair value of bank and other borrowings has been calculated by discounting the expected future cash flows at the prevailing interest rates.

The Group's banking facilities are secured by:

(i) the pledge of certain of the Group's leasehold buildings situated in Hong Kong and Mainland China of HK$38,413,000 (2008:HK$83,880,000) (note 14);

(ii) the pledge of the Group's investment properties situated in Mainland China of HK$181,704,000 (2008: HK$134,040,000) (note 15);

(iii) the pledge of the Group's leasehold land situated in Hong Kong of HK$5,857,000 (2008: HK$5,996,000) (note 16);

(iv) the pledge of the Group's deposits of HK$31,331,000 (2008: HK$21,465,000) (note 30);

(v) the pledge of certain of the Group's completed properties held for sale situated in Mainland China of HK$79,065,000 (2008: Nil) (note 25); and

(vi) the pledge of one of the Group's financial assets at fair value through profit or loss of HK$1,130,000 (2008: HK$1,117,000) (note 22).

In addition, the above banking facilities are secured by corporate guarantees executed by the Company.

The Group's other loans amounting to HK$20,000,000 (2008: Nil) are secured by the Group's equity interest in a subsidiary which held completed properties held for sale of HK$34,684,000 (2008: Nil) (note 25) and bear interest at 12% per annum. These loans are repayable in four equal instalments of HK$5,000,000 each commencing on 28 September 2009 and all loan instalments are repayable within one year.

The Group's other loan amounting to HK$5,650,000 (2008: Nil) is unsecured, bears interest at 13% per annum and is repayable on 9 December 2009.

36. DEFERRED TAX

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

Deferred tax asset

Group and Company

	Losses available for offsetting against future taxable profits *HK$'000*
At 1 April 2007	262
Deferred tax charged to the income statement during the year *(note 10)*	(262)
Deferred tax asset at 31 March 2008, 1 April 2008 and 31 March 2009	–

Deferred tax liabilities

Group

	2009			
	Accelerated tax depreciation *HK$'000*	**Revaluation of properties** *HK$'000*	**Withholding taxes** *HK$'000*	**Total** *HK$'000*
At 1 April 2008	239	14,008	–	14,247
Deferred tax charged to the income statement during the year *(note 10)*	–	649	3,108	3,757
Deferred tax debited to equity during the year	–	1,225	–	1,225
Exchange realignment	–	23	–	23
Deferred tax liabilities at 31 March 2009	239	15,905	3,108	19,252

	2008		
	Accelerated tax depreciation *HK$'000*	**Revaluation of properties** *HK$'000*	**Total** *HK$'000*
At 1 April 2007	239	11,510	11,749
Deferred tax debited to equity during the year	–	2,498	2,498
Deferred tax liabilities at 31 March 2008	239	14,008	14,247

The Group has estimated tax losses arising in Hong Kong of HK$577,390,000 (2008: HK$581,745,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$15,155,000 (2008: HK$15,362,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries with uncertain future operating profit streams.

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

37. CONVERTIBLE NOTES

On 24 April 2006, the Company issued 4% convertible notes with a total nominal value of HK$15,750,000. There was no movement in the number of convertible notes during the year. These notes have a three-year term and were issued at par, giving total proceeds of HK$15,750,000. Interest is payable half-yearly in arrears at a nominal annual interest rate of 4%. These notes are convertible at any time from the first anniversary of the issue date to the thirtieth day prior to the maturity date, at the holder's option, into 35,000,000 ordinary shares of the Company at an initial conversion price of HK$0.45 per share.

The fair value of the liability component of the convertible notes was determined, upon issuance, using the prevailing market interest rate for similar debt without a conversion option of 7% and is carried as a long term liability. The remainder of the proceeds was allocated to the conversion option that is recognised and included in shareholders' equity.

The convertible notes have been split as to the liability and equity components, as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Nominal value of convertible notes issued	15,750	15,750
Equity component	(1,259)	(1,259)
Liability component at the issuance date	14,491	14,491
Interest expense	3,082	2,005
Interest paid	(1,852)	(1,222)
Liability component at 31 March *(note 35)*	15,721	15,274

Subsequent to the balance sheet date, the convertible notes were fully redeemed on 23 April 2009.

38. SHARE CAPITAL

Shares

	2009	**2008**
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 (2008: 1,500,000,000) ordinary shares of HK$0.10 each	150,000	150,000
Issued and fully paid:		
566,973,017 (2008: 572,738,017) ordinary shares of HK$0.10 each	56,697	57,274

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

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2007		572,683,017	57,268	122,563	179,831
Repurchase of shares	*(i)*	(745,000)	(74)	(179)	(253)
Exercise of share options	*(ii)*	800,000	80	258	338
		572,738,017	57,274	122,642	179,916
Share repurchase expenses		–	–	(2)	(2)
Share issue expenses		–	–	(147)	(147)
At 31 March 2008 and 1 April 2008		572,738,017	57,274	122,493	179,767
Repurchase of shares	*(i)*	(5,765,000)	(577)	(686)	(1,263)
		566,973,017	56,697	121,807	178,504
Share repurchase expenses		–	–	(17)	(17)
At 31 March 2009		566,973,017	56,697	121,790	178,487

Notes:

(i) The Company repurchased a total of 5,765,000 (2008: 745,000) of its own shares on The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') at prices ranging from HK$0.12 to HK$0.32 per share (2008: HK$0.335 to HK$0.34 per share), for a total consideration, before expenses, of HK$1,263,000 (2008: HK$253,000). The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK$577,000 (2008: HK$74,000) was transferred from retained profits to the capital redemption reserve. The premium of HK$686,000 (2008: HK$179,000) paid for the repurchased shares and the share repurchase expenses of HK$17,000 (2008: HK$2,000) were charged against the share premium account.

(ii) In the prior year, 800,000 share options were exercised at an exercise price of HK$0.34 per share for a total consideration, before expenses, of HK$272,000, together with a release of the share option reserve amounting to HK$66,000, which was credited to the share premium account.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 39 to the financial statements.

39. SHARE OPTION SCHEME

On 14 August 2002, the share option scheme of the Company adopted on 21 May 1997 ceased to operate and a new share option scheme (the "Scheme") was adopted on the same day to comply with the requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. The options granted under the old scheme will remain in force and effect.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, the Company's shareholders and other employees of the Group. The Scheme became effective on 14 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

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

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

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

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

Name or category of participant	Number of share options: At 1 April 2008	Expired during the year	At 31 March 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	At grant date of options***
						HK$ per share	HK$ per share
Directors							
Ho Chung Tai, Raymond	150,000	(150,000)	–	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Siu Man Po	150,000	(150,000)	–	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Tjia Boen Sien	500,000	(500,000)	–	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Wang Jing Ning	1,000,000	(1,000,000)	–	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Keung Kwok Cheung	2,500,000	(2,500,000)	–	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Ong Chi King (resigned on 27 June 2008)	5,000,000	(5,000,000)	–	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
	9,300,000	(9,300,000)	–				
Other employees, in aggregate	17,900,000	(17,900,000)	–	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Total	27,200,000	(27,200,000)	–				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

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

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

No share option was granted during the year. In the prior year, the fair value of the share options granted was HK$379,000 (approximately HK$0.014 each).

In the prior year, the fair value of equity-settled share options granted was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2008:

	2008
Dividend yield (%)	0.00
Expected volatility (%)	23.00
Historical volatility (%)	23.00
Risk-free interest rate (%)	2.58
Expected life of option (year)	1.00
Weighted average share price (HK$)	0.34

The expected life of the options was based on the historical data over the past three years and was not necessarily indicative of the exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

During the year, 27,200,000 share options (2008: 10,450,000) expired and an amount of HK$379,000 (2008: HK$1,015,000) was transferred from the share option reserve to retained profits in respect of these options.

At the balance sheet date, no share option was outstanding under the Scheme.

40. RESERVES

(a) Group

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

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007		122,563	155,531	1,081	9,362	(401)	288,136
Loss for the year	11	–	–	–	–	(5,198)	(5,198)
Repurchase of shares	38	(179)	–	–	74	(74)	(179)
Exercise of share options	38	258	–	(66)	–	–	192
Share repurchase expenses	38	(2)	–	–	–	–	(2)
Share issue expenses	38	(147)	–	–	–	–	(147)
Share options expired during the year	39	–	–	(1,015)	–	1,015	–
Equity-settled share option arrangements	39	–	–	379	–	–	379
At 31 March 2008 and 1 April 2008		122,493	155,531	379	9,436	(4,658)	283,181
Loss for the year	11	–	–	–	–	(4,795)	(4,795)
Repurchase of shares	38	(686)	–	–	577	(577)	(686)
Share repurchase expenses	38	(17)	–	–	–	–	(17)
Share options expired during the year	39	–	–	(379)	–	379	–
At 31 March 2009		121,790	155,531	–	10,013	(9,651)	277,683

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 21 May 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a distribution may be made out of the contributed surplus provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, issued share capital and share premium, is less than the realisable value of its assets.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

41. DISPOSAL OF SUBSIDIARIES

	Notes	2009 HK$'000	2008 HK$'000
Net assets disposed of:			
Property, plant and equipment	14	–	14,591
Interests in associates		–	(406)
Goodwill	17	–	–
Amounts due from associates		–	344
Amounts due from minority shareholders		–	7
Inventories		–	6,136
Accounts receivable		–	16,333
Provision for impairment of accounts receivable	28	–	(13,698)
Other receivables		–	10,167
Provision for impairment of other receivables	29	–	(192)
Cash and bank balances		–	4,943
Accounts payable		–	(3,898)
Other payables and accruals		–	(31,239)
Exchange fluctuation reserve		–	(304)
Minority interests		–	(83)
		–	2,701
Legal fee incurred		–	136
Gain on disposal of subsidiaries		–	3,163
		–	6,000
Satisfied by:			
Cash		–	6,000

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

	2009 HK$'000	2008 HK$'000
Cash consideration	–	6,000
Cash and bank balances disposed of	–	(4,943)
	–	1,057
Less: Legal fee paid	–	(136)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	921

42. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

In the prior year, the Group's investment in an investee increased by HK$2,400,000 by capitalising the amount advanced to that investee.

43. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given to banks in connection with banking facilities granted to subsidiaries	–	–	258,100	159,110

In respect of the guarantees granted to subsidiaries, banking facilities in the amount of HK$108,624,000 (2008: HK$90,939,000) were utilised by the subsidiaries as at 31 March 2009.

44. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessor

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

At 31 March 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Within one year	3,684	3,443
In the second to fifth years, inclusive	4,747	5,538
	8,431	8,981

During the year, the Group recognised HK$3,905,000 (2008: Nil) in respect of contingent rentals receivable which was calculated according to certain percentage on the turnover of the tenant.

(b) The Group as lessee

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

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	2,133	758
In the second to fifth years, inclusive	6,022	2,248
After five years	10,050	3,501
	18,205	6,507

The Company had no operating lease arrangements as at 31 March 2009 (2008: Nil).

45. COMMITMENTS

At the balance sheet date, neither the Group nor the Company had any significant commitments.

46. RELATED PARTY TRANSACTIONS

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

		2009	2008
	Notes	*HK$'000*	*HK$'000*
Management fees received from associates	*(i)*	831	807
Management fees received from a related company	*(i)*	240	120
Interest income from a jointly-controlled entity	*(ii)*	441	586
Rental income from related companies	*(iii)*	2,580	273

Notes:

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

(ii) The interest income from a jointly-controlled entity was charged at the prime rate plus 1% per annum on an amount due from it of HK$7,178,000 (2008: HK$7,178,000).

(iii) The rental income was charged to FCL and one of FCL's subsidiaries at HK$45,000 (2008: HK$45,000) and HK$170,000 (2008: Nil) per month, respectively. Mr. Tjia Boen Sien is a director of and has beneficial interests in the Company and FCL while Mr. Keung Kwok Cheung is the director of the Company and FCL.

(b) Other transactions with related parties:

In the prior year, on 25 September 2007, the Group entered into a sale and purchase agreement with Ideal Choice Holdings Limited, a company wholly owned by Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, in relation to the disposal of 100% interest in FCL and the related shareholder's loan, at a total consideration of HK$6,000,000. FCL and its subsidiaries are principally engaged in operation of fitness centres and trading of fitness equipment business. The disposal was completed on 30 September 2007 and the sales proceeds were fully settled upon completion of the disposal. Details of this disposal of subsidiaries are included in note 41 to the financial statements.

(c) Outstanding balances with related parties:

(i) Details of the Group's balances with its jointly-controlled entity and associates as at the balance sheet date are included in notes 19 and 20 to the financial statements, respectively;

(ii) Details of the Company's balances with its subsidiaries as at the balance sheet date are included in note 18 to the financial statements;

(iii) Details of the Group's balances with its minority shareholders as at the balance sheet date are included in note 24 to the financial statements; and

(iv) Details of the Group's balances with its related companies as at the balance sheet date are included in note 34 to the financial statements.

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

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2009 **Group**

Financial assets

	Financial assets at fair value through profit or loss	**Loans and receivables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Amount due from a jointly-controlled entity *(note 19)*	–	13,495	13,495
Amounts due from associates	–	26,650	26,650
Financial assets at fair value through profit or loss	2,260	–	2,260
Accounts receivable	–	59,472	59,472
Financial assets included in prepayments, deposits and other receivables *(note 29)*	–	9,147	9,147
Cash and cash equivalents	–	53,807	53,807
Pledged deposits	–	31,331	31,331
	2,260	193,902	196,162

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Accounts payable	44,269
Financial liabilities included in other payables and accruals *(note 33)*	63,433
Amounts due to associates	262
Amounts due to minority shareholders	19,529
Amounts due to related companies	27,166
Convertible notes	15,721
Interest-bearing bank and other borrowings	129,768
	300,148

2008 **Group**

Financial assets

	Financial assets at fair value through profit or loss	Loans and receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
Amount due from a jointly-controlled entity *(note 19)*	–	15,679	15,679
Amounts due from associates	–	23,620	23,620
Financial assets at fair value through profit or loss	2,234	–	2,234
Accounts receivable	–	56,850	56,850
Financial assets included in prepayments, deposits and other receivables *(note 29)*	–	14,319	14,319
Cash and cash equivalents	–	31,087	31,087
Pledged deposits	–	21,465	21,465
	2,234	163,020	165,254

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Accounts payable	32,861
Financial liabilities included in other payables and accruals *(note 33)*	31,484
Amounts due to associates	547
Amounts due to minority shareholders	17,360
Amounts due to related companies	23,813
Convertible notes	15,274
Interest-bearing bank and other borrowings	99,763
	221,102

Financial assets

	Company	
	Loans and receivables	
	2009	2008
	HK$'000	*HK$'000*
Amounts due from subsidiaries *(note 18)*	196,652	201,648
Cash and cash equivalents	64	72
	196,716	201,720

Financial liabilities

	Financial liabilities at amortised cost	
	2009	2008
	HK$'000	*HK$'000*
Convertible notes	15,721	15,274

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 35 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans and overdrafts, other loans, cash and bank balances, and short term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expense are charged to the consolidated income statement as incurred.

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

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

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	HK$'000	*HK$'000*	
2009			
Hong Kong dollar	100	(1,005)	–
Hong Kong dollar	(100)	1,005	–
2008			
Hong Kong dollar	100	(541)	–
Hong Kong dollar	(100)	541	–

* Excluding retained profits

Foreign currency risk

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

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

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2009			
If Hong Kong dollar weakens against RMB	5	(1,963)	–
If Hong Kong dollar strengthens against RMB	(5)	1,963	–
2008			
If Hong Kong dollar weakens against RMB	5	(4,895)	–
If Hong Kong dollar strengthens against RMB	(5)	4,895	–

* Excluding retained profits

Credit risk

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

The credit risk of the Group's other financial assets, which comprise an amount due from a jointly-controlled entity, amounts due from associates, financial assets at fair value through profit or loss, other receivables, cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in notes 28 and 29 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible notes, and other interest-bearing borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against its financial assets, and the maintenance of a current ratio, defined as current assets over current liabilities, at above one so as to enhance a stable liquidity.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

			2009		
	On demand	**Less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable	–	44,269	–	–	44,269
Financial liabilities included in other payable and accruals *(note 33)*	63,433	–	–	–	63,433
Amounts due to associates	262	–	–	–	262
Amounts due to minority shareholders	19,529	–	–	–	19,529
Amounts due to related companies	27,166	–	–	–	27,166
Convertible notes	–	15,750	–	–	15,750
Interest-bearing bank and other borrowings	23,568	79,434	29,379	8,622	141,003
	133,958	139,453	29,379	8,622	311,412

	2008				
	On demand	**Less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable	–	32,861	–	–	32,861
Financial liabilities included in other payable and accruals *(note 33)*	31,484	–	–	–	31,484
Amounts due to associates	547	–	–	–	547
Amounts due to minority shareholders	17,360	–	–	–	17,360
Amounts due to related companies	23,813	–	–	–	23,813
Convertible notes	–	–	15,750	–	15,750
Interest-bearing bank and other borrowings	25,934	34,175	26,250	13,404	99,763
	99,138	67,036	42,000	13,404	221,578

The contractual undiscounted payments of the Company's financial liabilities in respect of the convertible notes amounted to HK$15,750,000 (2008: HK$15,750,000) and the maturity profile of these financial liabilities fell within the band of less than twelve months (2008: one to five years).

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2009 and 31 March 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, other payables and accruals, amounts due to associates, minority shareholders and related companies, and interest-bearing bank and other borrowings, less cash and cash equivalents. Capital includes convertible notes and equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Accounts payable	44,269	32,861
Other payables and accruals	171,116	129,679
Amounts due to associates	262	547
Amounts due to minority shareholders	19,529	17,360
Amounts due to related companies	27,166	23,813
Interest-bearing bank and other borrowings	129,768	99,763
Less: Cash and cash equivalents	(53,807)	(31,087)
Net debt	338,303	272,936
Convertible notes, the liability component	15,721	15,274
Equity attributable to equity holders of the Company	474,047	457,573
Total capital	489,768	472,847
Capital and net debt	828,071	745,783
Gearing ratio	41%	37%

49. POST BALANCE SHEET EVENTS

(a) On 6 May 2009, Deson Development Holdings Limited ("DDHL"), a wholly-owned subsidiary of the Company entered into a shareholders' agreement with Skill Achieve Investments Limited ("Skill Achieve"), an independent third party, pursuant to which the parties agreed to form a joint venture company named Deson Development International Holdings Investment Limited ("DDIHIL"). DDIHIL will invest in a 10% equity interest in Zhejiang Construction Investment Group Company Limited ("ZJC"), a state-owned enterprise in PRC as reorganised under a reorganisation scheme. ZJC is principally engaged in the businesses of construction investment management and construction contracting in PRC as a main contractor.

According to the above mentioned shareholders' agreement and a supplementary agreement dated 25 June 2009, the issued share capital of DDIHIL will be owned as to 20% by DDHL and 80% by Skill Achieve. In order to finance the investment in the 10% equity interest in ZJC, DDHL and Skill Achieve agreed to advance shareholders' loans to DDIHIL in proportion to their respective equity interests in DDIHIL. Accordingly, DDHL shall advance a total amount of RMB29 million (equivalent to approximately HK$32.9 million), and Skill Achieve shall advance a total amount of RMB116 million (equivalent to approximately HK$131.8 million), to DDIHIL. As at the date of this report, shareholders' loan of RMB8.7 million has been advanced by DDHL to DDIHIL.

(b) As detailed in note 37 to the financial statements, on 23 April 2009, the convertible notes were fully redeemed at HK$15,750,000.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 July 2009.

3. UNAUDITED FINANCIAL INFORMATION OF THE GROUP

The following financial information is an extract from the unaudited financial statements of the Group for the six months ended 30 September 2009 together with notes thereto.

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 2009, together with the comparative figures for the six months ended 30 September 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
REVENUE	*3*	251,971	343,461
Cost of sales		(197,437)	(307,722)
Gross profit		54,534	35,739
Other income and gains	*3*	7,172	7,622
Administrative expenses		(29,079)	(29,137)
Other operating income		2,469	2,091
Finance costs	*5*	(4,208)	(3,219)
Share of profits and losses of:			
A jointly-controlled entity		(13)	(14)
Associates		(172)	299
PROFIT BEFORE TAX	*4*	30,703	13,381
Tax	*6*	(16,886)	(8,337)
PROFIT FOR THE PERIOD		13,817	5,044
Attributable to:			
Equity holders of the Company		12,928	5,387
Minority interests		889	(343)
		13,817	5,044
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic		2.28 cents	0.94 cents
Diluted		N/A	0.94 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2009

	2009	2008
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	13,817	5,044
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	2,256	3,200
Share of other comprehensive income for the period	633	103
Less: Reclassification adjustment:		
Release upon disposal of an associate	(603)	–
Other comprehensive income for the period, net of tax	2,286	3,303
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16,103	8,347
Attributable to:		
Equity holders of the Company	15,031	8,390
Minority interests	1,072	(43)
	16,103	8,347

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2009

	Notes	**30 September 2009** *HK$'000*	**31 March 2009** *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		63,546	64,350
Investment properties	*8*	197,666	181,704
Prepaid land lease payments		5,649	5,718
Interest in a jointly-controlled entity		5,161	–
Interests in associates		(3,427)	(2,408)
Available-for-sale investments		–	–
Financial assets at fair value through profit or loss		2,280	2,260
Total non-current assets		270,875	251,624
CURRENT ASSETS			
Amounts due from associates		37,011	26,650
Properties held for sale	*9*	513,303	520,064
Gross amount due from contract customers		5,550	5,247
Inventories		810	1,497
Accounts receivable	*10*	60,163	59,472
Prepayments, deposits and other receivables		39,518	30,290
Cash and cash equivalents		41,375	53,807
Pledged deposits		31,314	31,331
		729,044	728,358
Non-current asset classified as held for sale		–	9,295
Total current assets		729,044	737,653
CURRENT LIABILITIES			
Gross amount due to contract customers		49,631	38,626
Accounts payable	*11*	31,097	44,269
Other payables and accruals		129,595	171,116
Amounts due to associates		262	262
Amounts due to minority shareholders		20,131	19,529
Amounts due to related companies		20,107	27,166
Tax payable		55,381	45,914
Convertible notes	*12*	–	15,721
Interest-bearing bank and other borrowings		100,053	97,563
Total current liabilities		406,257	460,166

	Notes	**30 September 2009**	**31 March 2009**
NET CURRENT ASSETS		322,787	277,487
TOTAL ASSETS LESS CURRENT LIABILITIES		593,662	529,111
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		81,012	32,205
Deferred tax liabilities		19,411	19,252
Total non-current liabilities		100,423	51,457
Net assets		493,239	477,654
EQUITY			
Equity attributable to equity holders of the Company Issued capital	*13*	56,697	56,697
Reserves		431,869	416,091
Equity component of convertible notes		–	1,259
		488,566	474,047
Minority interests		4,673	3,607
Total equity		493,239	477,654

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2009

	Attributable to equity holders of the Company														
	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Equity component of convertible notes	Reserve funds	Retained profits	Total	Minority interests	Total equity
	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 2008	57,274	122,493	15,262	34,182	(9,121)	9,436	26,240	1,250	379	1,259	3,260	195,659	457,573	2,525	460,098
Other comprehensive income	–	–	–	–	–	–	3,043	(40)	–	–	–	–	3,003	300	3,303
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	5,387	5,387	(343)	5,044
Total comprehensive income for the period	–	–	–	–	–	–	3,043	(40)	–	–	–	5,387	8,390	(43)	8,347
Repurchase of shares	(169)	(290)	–	–	–	169	–	–	–	–	–	(169)	(459)	–	(459)
Share repurchase expenses	–	(3)	–	–	–	–	–	–	–	–	–	–	(3)	–	(3)
At 30 September 2008	57,105	122,200	15,262	34,182	(9,121)	9,605	29,283	1,210	379	1,259	3,260	200,877	465,501	2,482	467,983
At 1 April 2009	56,697	121,790	15,262	36,531	(9,121)	10,013	28,323	1,056	–	1,259	3,260	208,977	474,047	3,607	477,654
Other comprehensive income	–	–	–	–	(119)	–	1,589	121	–	–	–	512	2,103	183	2,286
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	12,928	12,928	889	13,817
Total comprehensive income for the period	–	–	–	–	(119)	–	1,589	121	–	–	–	13,440	15,031	1,072	16,103
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(6)	(6)
Release of revaluation reserve	–	–	–	(512)	–	–	–	–	–	–	–	–	(512)	–	(512)
Release upon expiry of convertible notes	–	–	–	–	–	–	–	–	–	(1,259)	–	1,259	–	–	–
At 30 September 2009	56,697	121,790*	15,262*	36,019*	(9,240)*	10,013*	29,912*	1,177*	–	–	3,260*	223,676*	488,566	4,673	493,239

* These reserve accounts comprise the consolidated reserves of HK$431,869,000 (31 March 2009: HK$416,091,000) 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 therefor, pursuant to the Group reorganisation on 21 May 1997.

The capital reserve of the Group as at 1 April 2009 and 30 September 2009 comprised goodwill arising from the acquisition of subsidiaries prior to 1 April 2002.

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 laws and regulations of the People's Republic of China. The amount of the appropriation is at the discretion of these subsidiaries' board of directors.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
For the six months ended 30 September 2009

	2009	2008
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES	(23,399)	1,131
CASH FLOWS FROM INVESTING ACTIVITIES	(18,031)	(11,496)
CASH FLOWS FROM FINANCING ACTIVITIES	5,821	18,583
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(35,609)	8,218
Cash and cash equivalents at beginning of period	30,239	5,153
Effect of foreign exchange rate changes, net	444	(2,209)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(4,926)	11,162
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	41,375	42,547
Bank overdrafts, secured	(46,301)	(31,385)
	(4,926)	11,162

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold buildings, investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. These unaudited condensed financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2009.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 March 2009, except in relation to the following new Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and interpretations) that affect the Group and are adopted by the Group for the first time for the current period's financial statements:

HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HKFRSs (Amendments)	*Improvements to HKFRSs 2009* in relating to the amendment to paragraph of HKAS 39

HKFRS 8 – Operating Segments

HKFRS 8 is a disclosure Standard that required the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and return approach. The application of HKFRS 8 has not resulted in a redesignation of the group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 2).

HKAS 1 (Revised) – Presentation of Financial Statements

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity include only details of transactions with owner, with non-owner changes in equity presented in a single line. In addition, the standard introduced the statement of comprehensive income: it presents all items of recognised income and expensive, either in one single statement, or in two linked statements. The Group has elected to presents two statements.

The adoption of these new or revised HKFRSs has no material effect on the results and financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	*Improvements to HKFRSs May 2008* [1]
HKFRSs (Amendments)	*Improvements to HKFRSs April 2009* [2]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [3]
HKFRS 1 (Revised)	*First-time Adoption of HKFRS* [3]
HKFRS 2 Amendments	*Group cash-settled share-based payment transactions* [6]
HKFRS 3 (Revised)	*Business Combinations* [3]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [3]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* [5]

1 Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods ending or after 30 June 2009

5 Effective for transfer of assets from customers received on or after 1 July 2009

6 Effective for annual periods beginning on or after 1 January 2010

The application of HKFR3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Company, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and return approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The following tables present revenue, profits/(losses) information for the Group's business segments for the six months ended 30 September 2009 and 2008.

	For the six months ended 30 September							
	Construction business		Property development and investment business		Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	121,575	309,467	125,934	26,309	4,462	7,685	251,971	343,461
Other income and gains	991	3,480	1,750	2,308	–	1,289	2,741	7,077
Total	122,566	312,947	127,684	28,617	4,462	8,974	254,712	350,538
Segment results	(5,974)	5,255	38,972	10,020	(96)	1,698	32,902	16,973
Interest income and dividend income							2,249	545
Gain on disposal of an associate							2,109	–
Gain on disposal of partial interest in subsidiaries							42	–
Gain on disposal of a subsidiary							31	–
Unallocated expenses							(2,237)	(1,203)
Finance costs							(4,208)	(3,219)
Share of profits and losses of:								
A jointly-controlled entity	(13)	(14)	–	–	–	–	(13)	(14)
Associates	(172)	299	–	–	–	–	(172)	299
Profit before tax							30,703	13,381
Tax							(16,886)	(8,337)
Profit for the period							13,817	5,044
Other segment information:								
Depreciation	843	862	1,039	459	40	1,492	1,922	2,813
Recognition of prepaid land lease payments	69	69	–	–	–	–	69	69
Loss/(gain) on disposal of items of property, plant and equipment	–	(3)	2	(7)	10	–	12	(10)
Impairment of accounts receivable	–	–	2,482	–	–	–	2,482	–
Reversal of impairment of accounts receivable	–	–	(1,909)	(1,107)	–	–	(1,909)	(1,107)
Reversal of impairment of other receivables	(798)	(908)	–	–	–	–	(798)	(908)

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross revenue earned from construction works and the net amount of maintenance works invoiced, property development and investment business, trading of medical equipment, provision of related installation and maintenance services.

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

	2009	**2008**
	HK$'000	*HK$'000*
Revenue		
Income from construction contracting and related business	121,575	309,467
Income from property development and investment business	125,934	26,309
Income from trading of medical equipment, provision of related installation and maintenance services	4,462	7,685
	251,971	343,461
Other income and gains		
Bank interest income	134	242
Other interest income	2,115	303
Gain on disposal of an associate	2,109	–
Gain on disposal of partial interest in subsidiaries	42	–
Gain on disposal of a subsidiary	31	–
Gross rental income	1,595	1,821
Others	1,146	5,256
	7,172	7,622

4. PROFIT BEFORE TAX

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

	2009	2008
	HK$'000	*HK$'000*
Cost of construction contracting	113,579	293,621
Cost of properties sold	80,967	9,331
Cost of inventories sold and services provided	2,891	4,770
Depreciation	1,922	2,813
Recognition of prepaid land lease payments	69	69
Minimum lease payments under operating leases on land and buildings	1,417	1,149
Loss/(gain) on disposal of items of property, plant and equipment^	12	(10)
Employee benefits expense (including directors' emoluments):		
Wages and salaries	15,871	15,334
Pension schemes contributions*	398	375
Less: Amount capitalised	(1,927)	(1,210)
	14,342	14,499
Directors remuneration:		
Fee	156	156
Salaries and allowances	1,673	1,787
Pension scheme contributions	29	47
	1,858	1,990
Foreign exchange differences, net^	(2,256)	(66)
Impairment of accounts receivable^	2,482	–
Reversal of impairment of accounts receivable^	(1,909)	(1,107)
Reversal of impairment of other receivables^	(798)	(908)

* At 30 September 2009, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2008: Nil).

^ These amounts are included in "Other operating income" on the face of the condensed consolidated income statement.

5. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	6,717	3,957
Interest on convertible notes	67	536
Total interest expense on financial liabilities not at fair value through profit or loss	6,784	4,493
Less: Interest capitalised on properties under development	(2,576)	(1,274)
	4,208	3,219

6. 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 period or had available tax losses brought forward from prior years to offset the assessable profits generated during the period (2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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.

	2009	**2008**
	HK$'000	*HK$'000*
Current – Elsewhere		
Charge for the period	4,814	3,766
Underprovision/(overprovision) in prior periods	(32)	335
Deferred	124	–
LAT in Mainland China	11,980	4,236
Total tax charge for the period	16,886	8,337

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share during the six months ended 30 September 2009 have not been disclosed as no dilutive events existed during the period. The calculation of diluted earnings per share amounts for the six months ended 30 September 2008 was based on the profit for that period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that period, 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.

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

	2009	**2008**
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	12,928	5,387
Interest on convertible notes	–	536
Profit attributable to ordinary equity holders of the Company before interest on convertible notes	12,928	5,923

	Number of shares 2009	2008
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	566,973,017	572,429,848
Effect of dilution-weighted average number of ordinary shares:		
Convertible notes	–	35,000,000
	566,973,017	607,429,848*

* Because the diluted earnings per share amount was increased when taking the convertible notes into account, the convertible notes had an anti-dilutive effect on the basic earnings per share for the six months ended 30 September 2008 and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts were based on the profit for the six months ended 30 September 2008 of HK$5,387,000 and the weighted average of 572,429,848 ordinary shares in issue during that year.

8. INVESTMENT PROPERTIES

	30 September 2009 *HK$'000*	31 March 2009 *HK$'000*
Carrying amount at 1 April	181,704	134,040
Additions	14,354	–
Net profit from fair value adjustment	–	2,599
Transfer from owner-occupied property	–	43,005
Exchange realignment	1,608	2,060
Carrying amount at 30 September/31 March	197,666	181,704

The Group's investment properties are situated in Mainland China and are held under the following lease terms:

	30 September 2009 *HK$'000*	31 March 2009 *HK$'000*
Long term lease	145,454	129,950
Medium term lease	52,212	51,754
	197,666	181,704

The Group's investment properties were revalued on 31 March 2009 by B.I. Appraisals Limited, independent professionally qualified valuers, at HK$181,704,000 on an open market, existing use basis.

As at 30 September 2009, the investment properties of the Group with aggregate carrying amounts of HK$183,312,000 (31 March 2009: HK$181,704,000) were pledged to secure certain banking facilities granted to the Group.

As at 30 September 2009, investment properties of the Group with carrying amounts of HK$145,454,000 (31 March 2009: HK$129,950,000) and HK$52,212,000 (31 March 2009: HK$51,754,000) were leased to an independent third party and a related company under an operating lease, respectively.

9. PROPERTIES HELD FOR SALE

	30 September 2009 HK$'000	31 March 2009 HK$'000
Completed properties	261,217	315,253
Properties under development	252,086	204,811
	513,303	520,064

As at 30 September 2009, certain completed properties held for sale of the Group with aggregate carrying amounts of HK$44,080,000 (31 March 2009: HK$79,065,000) were pledged to secure certain banking facilities granted to the Group.

In addition, certain completed properties held for sale of the Group with aggregate carrying amounts of HK$33,071,000 (31 March 2009: HK$34,684,000) were pledged through the equity interest in a subsidiary to secure other loans amounting to HK$15,000,000 (31 March 2009: HK$20,000,000) granted to the Group.

10. 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 180 days for the sale of completed properties held for sale. For retention monies receivable in respect of construction works carried out by the Group, the due dates are usually one year after the completion of the construction works. 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. Accounts receivable are non-interest-bearing.

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

	30 September 2009 HK$'000	31 March 2009 HK$'000
Current to 90 days	33,502	32,153
91 to 180 days	4,811	5,989
181 to 360 days	4,439	333
Over 360 days	11,127	13,662
	53,879	52,137
Retention monies receivable	6,284	7,335
Total	60,163	59,472

11. ACCOUNTS PAYABLE

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

	30 September 2009 *HK$'000*	31 March 2009 *HK$'000*
Current to 90 days	22,659	36,713
91 to 180 days	179	260
181 to 360 days	673	277
Over 360 days	7,586	7,019
	31,097	44,269

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

12. CONVERTIBLE NOTES

On 24 April 2006, the Company issued 4% convertible notes with a total nominal value of HK$15,750,000. These notes had a three-year term and were issued at par, giving total proceeds of HK$15,750,000. Interest was payable half-yearly in arrears at a nominal annual interest rate of 4%. These notes were convertible at any time from the first anniversary of the issue date to the thirtieth day prior to the maturity date, at the holder's option, into 35,000,000 ordinary shares of the Company at an initial conversion price of HK$0.45 per share.

The fair value of the liability component of the convertible notes was determined, upon issuance, using the prevailing market interest rate for similar debt without a conversion option of 7%. The remainder of the proceeds was allocated to the conversion option that was recognised and included in shareholders' equity.

The convertible notes had been split as to the liability and equity components, as follows:

	30 September 2009 *HK$'000*	31 March 2009 *HK$'000*
Nominal value of convertible notes issued	–	15,750
Equity component	–	(1,259)
Liability component at the issuance date	–	14,491
Interest expense	–	3,082
Interest paid	–	(1,852)
Liability component at 30 September/31 March	–	15,721

The convertible notes were fully redeemed on 23 April 2009.

13. SHARE CAPITAL

Shares

	30 September 2009 *HK$'000*	31 March 2009 *HK$'000*
Authorised:		
1,500,000,000 (31 March 2009: 1,500,000,000) ordinary shares of HK$0.10 each	150,000	150,000
Issued and fully paid:		
566,973,017 (31 March 2009: 566,973,017) ordinary shares of HK$0.10 each	56,697	56,697

Share options

Details of the Company's share option scheme are included in the section headed "Share Option Scheme".

14. OPERATING LEASE COMMITMENTS

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

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2009 *HK$'000*	31 March 2009 *HK$'000*
Within one year	1,209	2,133
In the second to fifth years, inclusive	2,267	6,022
After five years	2,939	10,050
	6,415	18,205

15. RELATED PARTY TRANSACTIONS

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

	Notes	2009 *HK$'000*	2008 *HK$'000*
Management fees received from associates	*(i)*	522	414
Management fees received from a related company	*(i)*	120	120
Interest income from a jointly-controlled entity	*(ii)*	216	225
Rental income from a related company	*(iii)*	1,299	1,294

Notes:

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

(ii) The interest income from a jointly-controlled entity was charged at the prime rate plus 1% per annum on an amount due from it of HK$7,178,000 (31 March 2009: HK$7,178,000).

(iii) The rental income was charged to Fitness Concept Limited ("FCL") and one of its subsidiary at HK$45,000 and HK$171,000 per month respectively. Mr. Tjia Boen Sien is a director of and has beneficial interest in the Company and FCL while Mr. Keung Kwok Cheung is a director of the Company and FCL.

(b) Outstanding balances with related parties:

Details of the Group's balances with its jointly-controlled entity, associates, minority shareholders and related companies as at the reporting date are included in the financial statements;

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

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 4 to the financial statements.

16. COMPARATIVE AMOUNTS

Due to the adoption of the new and revised HKFRSs during the current period, certain comparative amounts have been adjusted to conform with the current period's presentation.

4. MANAGEMENT DISCUSSION AND ANALYSIS

The Group's major business segment during the period comprises (i) construction, as a main contractor, as well as the provision of contracting intelligent building engineering, and electrical and mechanical ("E&M") services; (ii) property development and investment; and (iii) trading of medical equipment, provision of related installation and maintenance services.

Construction business (including E&M works)

The Group will uphold an on-going parallel development of its construction business (including E&M works) in both the PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, in April 2006, the Group had been promoted from "List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Environment, Transport and Works Bureau of the HKSAR" to "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", the above enables the Group to take an active part in the construction business development (including E&M works).

Property development and investment

Asian Villas City Square, Haikou, Hainan Province is developed into a residential and commercial complex with a total gross floor area of approximately 117,000 sq. metres. Construction were completed in last year. As at the Latest Practicable Date, the total sales contract sum achieved amounted to approximately RMB327 million.

On 9 June 2005, the Group was granted the land use rights of a development site in Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 202,000 sq. metres. Up to now, gross floor area of 27,924 sq. metres of construction has been completed and has started to contribute to the sales revenue of the Group. The remaining area of the land is under construction, being processed smoothly, and it is expected the construction will be completed by 2011. In April 2007, the Group was granted the land use rights of a development site adjacent to the original site in Long Ting District, with gross floor area of approximately 25,000 sq. metres, the Directors intend to develop this additional site together with the original site.

On 2 November 2006, the Group obtained the land use rights of a development site in Huidong province of PRC. The Directors intend to develop residential villas on the site with an estimated gross floor area of approximately 220,796 sq. metres. It is expected the development will soon be commenced. On 27 January 2010, the Group entered into an agreement in relation to the acquisition of the entire shareholding interests in the Target Company, the piece of land owned by the Target Group at Huizhou is contiguous with the sites already obtained by the Group in 2006, the Acquisition will result in the consolidation of land now owned by Huizhou Golf and the sites already owned by the Group, which is expected to bring synergy to the property development of the Group's subsidiary and to enhance the combined value of the relevant land.

The Group purchased a hotel in Haikou, the capital of Hainan Province, PRC through the acquisition of a subsidiary in the prior years. The hotel has a gross floor area of 20,668 square metres. As at the Latest Practicable Date, the hotel was leased out to generate recurring rental income. In view of the great potential which Hainan Province has as an upscale tourist destination, the Directors consider the growth prospects to be promising.

Although the residual effect of the macro-economic tightening measures have added uncertainties to the growth of the PRC economy, the Directors believe that the austerity measure had only a moderate and short term impact on the property market in PRC. With strong sustained economic growth in PRC, coupled with the constant appreciation of RMB, the PRC property market offers tremendous opportunities, and the Group will continue to place emphasis on strengthening the property development and investment business in Kaifeng and Hainan, and may acquire additional land bank to richen its land reserve, however, the Group currently has no specific investment plan in relation to any particular project.

Noteworthy is the fact that Directors believe the hosting of the World Expo in Shanghai, PRC in 2010 will have a positive impact on the PRC property market and the property development and investment segment will continue to provide a sizable contribution to the Group's operating results in the coming years.

Trading of medical equipment

With rising affluence especially in Hong Kong and the major cities in PRC, the consumers' increasing health awareness, especially among higher-income urban consumers, has 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 will introduce a broader range of products to spur sales growth.

While the global economy appears to have stabilised and has been showing positive signs and evidence of recovering, the recovery is generally expected to be anemic and moderate. The Group remains optimistic of the medium to longer term prospects of the property sector in the PRC and continues to be committed to those projects that are being undertaken by the Group. On the other hand, the Group will continue to adopt efficacious cost management strategies and maintain tight credit control to cope with challenges and enhance competitiveness under the difficult operating environment.

5. INDEBTEDNESS

Borrowing

As at 31 January 2010, being the latest practicable date for ascertaining certain information for inclusion in this indebtedness statements, the Enlarged Group had the following indebtedness:

i. Secured bank loans of approximately HK$148,498,000;

ii. Secured loan from an independent third party of approximately HK$20,000,000;

iii. Unsecured loans from an independent third party of approximately HK$11,780,000;

iv. Unsecured amounts due to associates of approximately HK$262,000;

v. Unsecured amounts due to minority shareholders of subsidiaries of approximately HK$54,131,000; and

vi. Unsecured amounts due to related companies of approximately HK$17,988,000.

The secured bank and other borrowings were secured by (i) the pledge of certain of the Enlarged Group's leasehold buildings situated in Hong Kong and Mainland China; (ii) the pledge of the Enlarged Group's investment properties situated in Mainland China; (iii) the pledge of the Enlarged Group's leasehold land situated in Hong Kong; (iv) the pledge of certain of the Enlarged Group's deposits; (v) the pledge of certain of the Enlarged Group's completed properties held for sale situated in Mainland China; (vi) the pledge of the Enlarged Group's equity interest in a subsidiary which held certain completed properties held for sale; and (vii) the pledge of one of the Enlarged Group's financial assets at fair value through profit or loss.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar indebtedness, finance leases, liabilities under acceptance of acceptance credits or any guarantees of other material contingent liabilities as at the close of business on 31 January 2010.

The Directors have confirmed that there has been no material change in the indebtedness of the Enlarged Group since 31 January 2010.

Contingent liabilities

As at 31 January 2010, there were no significant contingent liabilities for the Enlarged Group.

Commitments

As at 31 January 2010, there were no significant commitments for the Enlarged Group.

6. WORKING CAPITAL

The Directors are of the opinion that after taking into account the credit facilities and internal resources available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements.

The Directors are not aware of any matter or fact which will render the Enlarged Group not having sufficient working capital for its requirements after completion of the Acquisition.

7. FINANCIAL AND TRADING PROSPECTS

The Enlarged Group is principally engaged in (i) the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and the PRC; (ii) property development and investment; and (iii) the trading of medical equipment and provision of related installation and maintenance services. It is the Enlarged Group's strategy to place emphasis on strengthening the property development and investment business and acquire additional land bank to richen its land reserve. The Directors consider that the Acquisition will bring synergy to the property development business of the Enlarged Group's subsidiary and to enhance the combined value of the relevant land.

The following is a text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.

ERNST & YOUNG
安 永

The Board of Directors
Deson Development International Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Hong Kong Okabe Company Limited ("HK Okabe") and its subsidiaries (hereinafter collectively referred to as the "HK Okabe Group") for each of the three years ended 30 September 2007, 2008 and 2009 (the "Relevant Periods") set out in Section I below, for inclusion in the circular of Deson Development International Holdings Limited ("Deson") dated 10 March 2010 (the "Circular") in connection with the proposed acquisition of the entire shareholding interests in HK Okabe (the "Acquisition"), pursuant to a sale and purchase agreement dated 27 January 2010.

HK Okabe was incorporated in Hong Kong with limited liability on 20 October 1992 and is engaged in investment holding. The principal activities of HK Okabe Group during the Relevant Periods consisted of the operation of a golf club in the People's Republic of China (the "PRC").

As at the date of this report, HK Okabe had the following subsidiaries:

Name of subsidiaries	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to HK Okabe		Principal activities
			Direct	Indirect	
Mellink Investment Limited ("Mellink")	Hong Kong	HK$8,010,000	100%	–	Selling of golf club memberships and investment holding
惠州高爾夫球場有限公司 (Huizhou Golf Course Limited Company* or "Huizhou Golf")	PRC/Mainland China	RMB90,000,000	–	90%	Golf club operation

* English translation name for identification purpose only

The statutory financial statements of HK Okabe and Mellink for the years ended 30 September 2007 and 2008 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and were audited by K.S. Cheung & Co, Certified Public Accountants, Hong Kong. The statutory financial statements of HK Okabe and Mellink for the year ended 30 September 2009 were prepared in accordance with HKFRSs and were audited by NAC Pui C.P.A. & Co, Certified Public Accountants, Hong Kong.

The statutory financial statements of Huizhou Golf for the years ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting rules and regulations applicable in the PRC and were audited by 惠州市立誠會計師事務所有限公司, certified public accountants registered in the PRC. As at the date of this report, no statutory audited financial statements have been prepared for Huizhou Golf for the year ended 31 December 2009. The management accounts of Huizhou Golf for the years ended 30 September 2007, 2008 and 2009 have not been audited.

The statutory financial statements of HK Okabe for the years ended 30 September 2007, 2008 and 2009 were qualified in respect of the failure to present consolidated financial statements in accordance with Hong Kong Accounting Standard No. 27 "Consolidated and Separate Financial Statements" ("HKAS 27") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the failure to equity account for its share of the results of an associate in accordance with Hong Kong Accounting Standard No. 28 "Investments in Associates" ("HKAS 28") issued by the HKICPA, the scope limitation of the impairment of HK Okabe's interests in Mellink and Huizhou Golf and the scope limitation of the impairment of HK Okabe's amount due from a minority shareholder of Huizhou Golf.

The statutory financial statements of Mellink for the years ended 30 September 2007, 2008 and 2009 were qualified in respect of the failure to present consolidated financial statements in accordance with HKAS 27 issued by the HKICPA and the scope limitation of the impairment of Mellink's interests in Huizhou Golf. The statutory financial statements of Mellink for the years ended 30 September 2008 and 2009 were further emphasised in respect of material uncertainty which may cast significant doubt about Mellink's ability to continue as a going concern.

For the purpose of this report, the directors of HK Okabe have prepared the underlying financial information, which include the consolidated balance sheets of HK Okabe Group and the balance sheets of HK Okabe as at 30 September 2007, 2008 and 2009, the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of HK Okabe Group for each of the Relevant Periods, together with the notes thereon (the "Underlying Financial Information"), set out in this report in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The directors of Deson are responsible for the preparation of the Financial Information in order to give a true and fair view. In preparing the Financial Information that give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates made are reasonable, and that the reasons for any significant departure from applicable accounting standards are stated. It is our responsibility to form an independent opinion, based on our audit, on the Financial Information and to report our opinion thereon.

Procedures Performed in Respect of the Relevant Periods

The Financial Information has been prepared from the Underlying Financial Information on the basis set out in note 2.1 of Section II below. For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accounting" issued by the HKICPA. No adjustments were considered necessary to adjust the Underlying Financial Information.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Deson, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The result of HK Okabe and Mellink have been consolidated in the Financial Information for the Relevant Periods in accordance with the relevant HKFRSs and on the basis of preparation as set out in note 2.1 of Section II below. We have also performed additional audit procedures on the financial statements of HK Okabe and Mellink and have satisfied ourselves that there is no material financial impact on the Financial Information arising from the above qualifications.

Opinion in Respect of the Relevant Periods

In our opinion, on the basis of preparation as set out in note 2.1 of Section II below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of HK Okabe and HK Okabe Group as at 30 September 2007, 2008 and 2009 and of the consolidated results and consolidated cash flows of HK Okabe Group for each of the Relevant Periods.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2.1 of Section II to the Financial Information concerning the adoption of the going concern basis on which the Financial Information has been prepared. As at 30 September 2007, 2008 and 2009, HK Okabe Group had net current liabilities of approximately HK$5,854,000, HK$10,472,000 and HK$16,292,000, respectively. The holding company of HK Okabe Group has confirmed its intention to provide continuing financial support to HK Okabe Group so as to enable it to meet its liabilities as and when they fall due and to enable HK Okabe Group to continue operating for the foreseeable future. Furthermore, upon completion of the Acquisition, Deson will provide financial support to HK Okabe Group to enable it to meet its financial liabilities as and when they fall due and to enable HK Okabe Group to continue operating for the foreseeable future. These conditions indicate the existence of a material uncertainty which may cast significant doubt on HK Okabe Group's ability to continue as a going concern.

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Notes	**2007** *HK$'000*	**2008** *HK$'000*	**2009** *HK$'000*
REVENUE	*5*	16,028	18,058	18,449
Cost of sales		(14,768)	(16,870)	(16,342)
Gross profit		1,260	1,188	2,107
Other income	*5*	977	810	529
Administrative expenses		(14,295)	(18,280)	(15,548)
Other operating income/(expenses), net		(1,025)	1,606	(108)
LOSS BEFORE TAX	*6*	(13,083)	(14,676)	(13,020)
Income tax expense	*9*	–	–	–
LOSS FOR THE YEAR		(13,083)	(14,676)	(13,020)
Attributable to:				
Owners of the parent	*10*	(13,083)	(14,676)	(13,020)
Minority interests		–	–	–
		(13,083)	(14,676)	(13,020)

CONSOLIDATED BALANCE SHEETS

	Notes	**2007** *HK$'000*	**2008** *HK$'000*	**2009** *HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*11*	106,436	108,282	101,274
Prepaid land lease payments	*12*	21,406	21,871	20,332
Interests in an associate	*14*	1,055	–	–
Due from a minority shareholder of a subsidiary	*15*	3,231	3,295	3,678
Total non-current assets		132,128	133,448	125,284
CURRENT ASSETS				
Inventories	*16*	98	115	98
Accounts receivable	*17*	92	214	92
Prepayments, deposits and other receivables	*18*	6,909	1,857	1,728
Due from the holding company	*19*	–	–	10
Cash and cash equivalents	*20*	12,728	17,574	15,154
Total current assets		19,827	19,760	17,082
CURRENT LIABILITIES				
Accounts payable	*21*	269	213	331
Deferred income and accruals	*22*	3,812	9,269	12,543
Membership deposits	*23*	21,600	20,750	20,500
Total current liabilities		25,681	30,232	33,374
NET CURRENT LIABILITIES		(5,854)	(10,472)	(16,292)
TOTAL ASSETS LESS CURRENT LIABILITIES		126,274	122,976	108,992
NON-CURRENT LIABILITIES				
Deferred income	*22*	14,520	13,551	12,590
Net assets		111,754	109,425	96,402
EQUITY				
Equity attributable to owners of the parent				
Issued capital	*25*	54,000	54,000	54,000
Reserves	*26(a)*	57,754	55,425	42,402
		111,754	109,425	96,402
Minority interests		–	–	–
Total equity		111,754	109,425	96,402

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent						
	Note	Issued capital	Share premium account*	Exchange fluctuation reserve*	Retained profits*	Total	Minority interests	Total equity
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2006		44,100	1,176	3,681	58,972	107,929	–	107,929
Exchange realignment and total income and expense for the year recognised directly in equity		–	–	7,008	–	7,008	–	7,008
Loss for the year		–	–	–	(13,083)	(13,083)	–	(13,083)
Total income and expense for the year		–	–	7,008	(13,083)	(6,075)	–	(6,075)
Issue of shares	*25*	9,900	–	–	–	9,900	–	9,900
At 30 September 2007 and 1 October 2007		54,000	1,176	10,689	45,889	111,754	–	111,754
Exchange realignment and total income and expense for the year recognised directly in equity		–	–	12,347	–	12,347	–	12,347
Loss for the year		–	–	–	(14,676)	(14,676)	–	(14,676)
Total income and expense for the year		–	–	12,347	(14,676)	(2,329)	–	(2,329)
At 30 September 2008 and 1 October 2008		54,000	1,176	23,036	31,213	109,425	–	109,425
Exchange realignment and total income and expense for the year recognised directly in equity		–	–	(3)	–	(3)	–	(3)
Loss for the year		–	–	–	(13,020)	(13,020)	–	(13,020)
Total income and expense for the year		–	–	(3)	(13,020)	(13,023)	–	(13,023)
At 30 September 2009		54,000	1,176	23,033	18,193	96,402	–	96,402

* These reserve accounts comprise the combined reserves of HK$57,754,000, HK$55,425,000 and HK$42,402,000 as at 30 September 2007, 2008 and 2009, respectively.

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	**2007** *HK$'000*	**2008** *HK$'000*	**2009** *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(13,083)	(14,676)	(13,020)
Adjustments for:				
Interest income	*5*	(414)	(263)	(137)
Loss on disposal of items of property, plant and equipment	*6*	1,090	1,922	118
Depreciation	*6*	7,388	7,950	7,795
Recognition of prepaid land lease payments	*6*	1,279	1,554	1,551
		(3,740)	(3,513)	(3,693)
Decrease/(increase) in due from an associate		(222)	1,055	–
Decrease/(increase) in due from a minority shareholder of a subsidiary		368	(64)	(452)
Decrease/(increase) in inventories		(59)	(17)	17
Decrease/(increase) in accounts receivable		(16)	(113)	122
Decrease/(increase) in prepayments, deposits and other receivables		(5,271)	5,609	131
Increase in due from the holding company		–	–	(10)
Increase/(decrease) in accounts payable		111	(81)	118
Increase in deferred income and accruals		1,231	4,143	2,308
Decrease in membership deposits		(575)	(850)	(250)
Cash generated from/(used in) operations		(8,173)	6,169	(1,709)
Interest received		414	263	137
Net cash flows from/(used in) operating activities		(7,759)	6,432	(1,572)

	Notes	2007 HK$'000	2008 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(1,462)	(1,701)	(862)
Proceeds from disposal of items of property, plant and equipment		2,594	–	14
Proceeds from disposal of prepaid land lease payments	12	8,088	–	–
Net cash flows from/(used in) investing activities		9,220	(1,701)	(848)
CASH FLOW FROM A FINANCING ACTIVITY				
Proceeds from issue of shares and cash flow a from financing activity	25	9,900	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,361	4,731	(2,420)
Cash and cash equivalents at beginning of year		1,322	12,728	17,574
Effect of foreign exchange rate changes, net		45	115	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		12,728	17,574	15,154
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and balance balances	20	8,041	2,163	2,413
Time deposit with original maturity of less than three months	20	4,687	15,411	12,741
Cash and cash equivalents as stated in the statement of cash flows		12,728	17,574	15,154

BALANCE SHEETS

	Notes	**2007** *HK$'000*	**2008** *HK$'000*	**2009** *HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*11*	8	2	–
Interests in subsidiaries	*13*	86,648	90,472	90,300
Interests in an associate	*14*	1,055	–	–
Due from a minority shareholder of a subsidiary	*15*	6,021	6,021	6,021
Total non-current assets		93,732	96,495	96,321
CURRENT ASSETS				
Cash and bank balances	*20*	–	3	2
CURRENT LIABILITIES				
Accruals	*22*	23	24	43
NET CURRENT LIABILITIES		(23)	(21)	(41)
Net assets		93,709	96,474	96,280
EQUITY				
Issued capital	*25*	54,000	54,000	54,000
Reserves	*26(b)*	39,709	42,474	42,280
Total equity		93,709	96,474	96,280

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

HK Okabe is a limited liability company incorporated in Hong Kong. The registered office of HK Okabe is located at Suite 2408, 24/F., Lippo Centre, Tower 2, 89 Queensway, Hong Kong.

During the Relevant Periods, HK Okabe Group was principally engaged in the operation of a golf club in the People's Republic of China (the "PRC").

As at the date of this report, in the opinion of the directors of Deson, the parent and ultimate holding company of HK Okabe is Okabe Co., Ltd.

2.1 BASIS OF PREPARATION

As at 30 September 2007, 2008 and 2009, HK Okabe Group had net current liabilities of approximately HK$5,854,000, HK$10,472,000 and HK$16,292,000, respectively.

In preparing the Financial Information, the directors of Deson have given careful consideration to the future liquidity of HK Okabe Group and have taken consideration of the follow events:

(a) The holding company of HK Okabe Group has confirmed its intention to provide continuing financial support to HK Okabe Group so as to enable it to meet its liabilities as and when they fall due and to enable HK Okabe Group to continue operating for the foreseeable future; and

(b) Upon completion of the proposed acquisition of the entire shareholding interests in HK Okabe, Deson will provide financial support to HK Okabe Group to enable it to meet its financial liabilities as and when they fall due and to enable HK Okabe Group to continue operating for the foreseeable future.

Consequently, the directors of Deson are satisfied that HK Okabe will be able to obtain necessary funding so as to meet its liabilities when they fall due for the foreseeable future. Accordingly, the Financial Information has been prepared on a going concern basis.

The Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention. The Financial Information are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

For the purpose of preparing in the Financial Information, HK Okabe Group has adopted all the new and revised HKFRSs applicable throughout the Relevant Periods.

Basis of consolidation

The Financial Information include the financial statements of HK Okabe Group for the years ended 30 September 2007, 2008 and 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which HK Okabe Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within HK Okabe Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by HK Okabe Group in the results and net assets of the HK Okabe's subsidiaries.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 Amendments *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First- time Adopters* [3]
HKFRS 1 (Revised)	*First-time Adoption of HKFRS* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [3]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKFRS 9	*Financial Instruments* [7]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [8]
HKAS 24 (Revised)	*Related Party Disclosures* [6]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [4]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [6]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [5]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [3]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs* and *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 July 2010

[6] Effective for annual periods beginning on or after 1 January 2011

[7] Effective for annual periods beginning on or after 1 January 2013

[8] Effective for transfers of assets from customers received on or after 1 July 2009

HK Okabe Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, HK Okabe Group considers these new and revised HKFRSs are unlikely to have a significant impact on HK Okabe Group's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which HK Okabe, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which HK Okabe has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in HK Okabe's income statements to the extent of dividends received and receivable. HK Okabe's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby HK Okabe Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which HK Okabe Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if HK Okabe, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which HK Okabe has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if HK Okabe does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if HK Okabe does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if HK Okabe holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which HK Okabe Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

HK Okabe Group's interests in an associate are stated in the consolidated balance sheet at HK Okabe Group's share of net assets under the equity method of accounting, less any impairment losses. HK Okabe Group's share of the post-acquisition results and reserves of the associate is included in the consolidated income statement and consolidated reserves, respectively.

Impairment of non-financial assets

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

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

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

Related parties

A party is considered to be related to HK Okabe Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, HK Okabe Group; (ii) has an interest in HK Okabe Group that gives it significant influence over HK Okabe Group; or (iii) has joint control over HK Okabe Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of HK Okabe Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of HK Okabe Group, or of any entity that is a related party of HK Okabe Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, HK Okabe Group recognises such parts as individual assets with specific useful lives and depreciation.

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

Golf club facilities	on straight-line basis over 30 years
Furniture and fixtures	15% on the reducing balance basis
Office equipment	15% on the reducing balance basis
Tools and equipment	15% on the reducing balance basis
Motor vehicles	15% on the reducing balance basis

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each reporting dates.

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

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on the straight-line basis over the operation period of Huizhou Golf.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. HK Okabe Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

HK Okabe Group's financial assets include cash and cash equivalents, trade and other receivables, amount due from the holding company, an associate and a minority shareholder of a subsidiary.

Subsequent measurement

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that HK Okabe Group could be required to repay.

Impairment of financial assets

HK Okabe Group assesses at the reporting dates whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. HK Okabe Group determines the classification of its financial liabilities at initial recognition.

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

HK Okabe Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing loans and borrowings.

Subsequent measurement

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

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

(a) Revenue from the operation of the golf club is recognised when the services are rendered;

(b) Membership admission fees, on a time proportion basis over the operation period of the golf club;

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

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is HK Okabe's functional and presentation currency. Each entity in HK Okabe Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in HK Okabe Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting dates. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiary is currency other than the Hong Kong dollar. As at the reporting dates, the assets and liabilities of this subsidiary are translated into the presentation currency of HK Okabe at the exchange rates ruling at the reporting dates and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of HK Okabe Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting dates. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

Useful lives and impairment of property, plant and equipment

HK Okabe Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

HK Okabe Group assesses whether there are any indicators of impairment for property, plant and equipment at the reporting dates. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The determination of fair value less costs to sell is based on the best information available to reflect the amount obtainable at the reporting dates, from disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

HK Okabe Group was principally engaged in the operation of a golf club in the PRC and has only one reportable operating segment.

No geographical segment information is presented as all of HK Okabe Group's revenue was derived in the PRC, and almost all of HK Okabe Group's assets are located in the PRC.

5. REVENUE AND OTHER INCOME

Revenue, which is also HK Okabe Group's turnover, represents the value of services rendered during the Relevant Periods.

An analysis of revenue and other income is as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Rendering of services	14,494	16,459	16,377
Membership admission fees	1,534	1,599	2,072
	16,028	18,058	18,449
Other income			
Bank interest income	414	263	137
Rental income from the holding company	240	240	180
Administration fee income from the holding company	240	240	180
Others	83	67	32
	977	810	529

6. LOSS BEFORE TAX

HK Okabe Group's loss before tax is arriving at after charging/(crediting):

	Notes	2007	2008	2009
		HK$'000	*HK$'000*	*HK$'000*
Cost of services provided		14,768	16,870	16,342
Depreciation	*11*	7,388	7,950	7,795
Recognition of prepaid land lease payments	*12*	1,279	1,554	1,551
Minimum lease payments under operating leases on land and buildings		284	369	308
Loss on disposal of items of property, plant and equipment^		1,090	1,922	118
Auditors' remuneration		92	98	127
Employee benefit expense:				
Wages and salaries		3,404	4,052	5,189
Pension schemes contributions		77	90	68
		3,481	4,142	5,257
Reversal of impairment of amount due from an associate^		–	(3,445)	–
Foreign exchange differences, net^		(65)	(83)	(10)

* At the reporting dates, there were no forfeited contributions available to HK Okabe Group to reduce contributions to the pension scheme in future years.

^ These amounts are included in "Other operating income/(expenses), net" in the consolidated income statements.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods is as follows:

	HK Okabe Group		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Fees	–	–	–
Other emoluments	–	–	–
	–	–	–

8. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the five highest paid employees, who are non-director, during the Relevant Periods are as follows:

	HK Okabe Group		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and benefits in kind	1,266	1,290	1,156

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

	Number of employees		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Nil to HK$1,000,000	5	5	5

9. INCOME TAX

No provision for Hong Kong profits tax has been provided in the Relevant Periods as HK Okabe Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which HK Okabe Group operates.

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the jurisdictions in which HK Okabe Group are domiciled to the tax position is as follows:

HK Okabe Group

	2007 *HK$'000*	**2008** *HK$'000*	**2009** *HK$'000*
Loss before tax	(13,083)	(14,676)	(13,020)
Tax at the statutory tax rate (2007: 17.5%; 2008: 16.5%; 2009: 16.5%)	(2,290)	(2,422)	(2,148)
Effect on different rate for company operating in other jurisdiction	(1,204)	(1,261)	(941)
Income not subject to tax	(279)	(798)	(208)
Expenses not deductible for tax	832	1,141	1,071
Tax losses and temporary differences not recognised	2,941	3,340	2,226
Tax position	–	–	–

10. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners for the parent for the year ended 30 September 2007, 2008 and 2009 included loss of HK$17,000, profit of HK$2,765,000 and loss of HK$194,000, respectively, which has been dealt with in the financial statements of HK Okabe (note 26(b)).

11. PROPERTY, PLANT AND EQUIPMENT

HK Okabe Group

	Golf club facilities *HK$'000*	**Furniture and fixtures** *HK$'000*	**Office equipment** *HK$'000*	**Tools and equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
30 September 2007						
At 1 October 2006:						
Cost	155,099	8,233	874	7,796	8,019	180,021
Accumulated depreciation and impairment	(52,919)	(6,997)	(707)	(3,305)	(5,594)	(69,522)
Net carrying value	102,180	1,236	167	4,491	2,425	110,499
At 1 October 2006, net of accumulated depreciation and impairment	102,180	1,236	167	4,491	2,425	110,499
Additions	1,267	94	70	31	–	1,462
Disposals	(3,656)	–	–	–	(28)	(3,684)
Depreciation provided During the year	(6,068)	(135)	(77)	(632)	(476)	(7,388)
Exchange realignment	5,157	60	9	227	94	5,547
At 30 September 2007	98,880	1,255	169	4,117	2,015	106,436
At 30 September 2007:						
Cost	160,538	8,739	858	8,221	8,108	186,464
Accumulated depreciation and impairment	(61,658)	(7,484)	(689)	(4,104)	(6,093)	(80,028)
Net carrying value	98,880	1,255	169	4,117	2,015	106,436

HK Okabe Group

	Golf club facilities	Furniture and fixtures	Office equipment	Tools and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 September 2008						
At 30 September 2007 and at 1 October 2007:						
Cost	160,538	8,739	858	8,221	8,108	186,464
Accumulated depreciation and impairment	(61,658)	(7,484)	(689)	(4,104)	(6,093)	(80,028)
Net carrying value	98,880	1,255	169	4,117	2,015	106,436
At 1 October 2007, net of accumulated depreciation and impairment	98,880	1,255	169	4,117	2,015	106,436
Additions	–	52	33	1,616	–	1,701
Disposals	(22)	(787)	(77)	(854)	(182)	(1,922)
Depreciation provided During the year	(6,647)	(229)	(39)	(618)	(417)	(7,950)
Exchange realignment	9,312	116	11	388	190	10,017
At 30 September 2008	101,523	407	97	4,649	1,606	108,282
At 30 September 2008:						
Cost	175,461	793	234	7,986	7,970	192,444
Accumulated depreciation and impairment	(73,938)	(386)	(137)	(3,337)	(6,364)	(84,162)
Net carrying value	101,523	407	97	4,649	1,606	108,282

HK Okabe Group

	Golf club facilities	Furniture and fixtures	Office equipment	Tools and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 September 2009						
At 30 September 2008 and at 1 October 2008:						
Cost	175,461	793	234	7,986	7,970	192,444
Accumulated depreciation and impairment	(73,938)	(386)	(137)	(3,337)	(6,364)	(84,162)
Net carrying value	101,523	407	97	4,649	1,606	108,282
At 1 October 2008, net of accumulated depreciation and impairment	101,523	407	97	4,649	1,606	108,282
Additions	488	10	8	351	5	862
Disposals	–	–	(5)	–	(127)	(132)
Depreciation provided During the year	(6,638)	(110)	(24)	(639)	(384)	(7,795)
Exchange realignment	53	–	–	3	1	57
At 30 September 2009	95,426	307	76	4,364	1,101	101,274
At 30 September 2009:						
Cost	176,042	726	189	8,341	6,709	192,007
Accumulated depreciation and impairment	(80,616)	(419)	(113)	(3,977)	(5,608)	(90,733)
Net carrying value	95,426	307	76	4,364	1,101	101,274

HK Okabe Group's leasehold buildings are situated in Mainland China and are held under medium lease terms.

HK Okabe

	Furniture and fixtures
	HK$'000
30 September 2007	
At 1 October 2006	
Cost	74
Accumulated depreciation	(51)
Net carrying value	23
At 1 October 2006, net of accumulated depreciation	23
Depreciation provided during the year	(15)
At 30 September 2007, net of accumulated depreciation	8
At 30 September 2007	
Cost	74
Accumulated depreciation	(66)
Net carrying value	8
30 September 2008	
At 30 September 2007 and 1 October 2007	
Cost	74
Accumulated depreciation	(66)
Net carrying value	8
At 1 October 2007, net of accumulated depreciation	8
Depreciation provided during the year	(6)
At 30 September 2008, net of accumulated depreciation	2
At 30 September 2008	
Cost	74
Accumulated depreciation	(72)
Net carrying value	2

	Furniture and fixtures
	HK$'000
30 September 2009	
At 30 September 2008 and 1 October 2008	
Cost	74
Accumulated depreciation	(72)
Net carrying value	2
At 1 October 2008, net of accumulated depreciation	2
Depreciation provided during the year	(2)
At 30 September 2009, net of accumulated depreciation	–
At 30 September 2009	
Cost	–
Accumulated depreciation	–
Net carrying value	–

12. PREPAID LAND LEASE PAYMENTS

	HK Okabe Group		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1 October	30,647	22,827	23,421
Recognised during the year	(1,279)	(1,554)	(1,551)
Disposed during the year	(8,088)	–	–
Exchange realignment	1,547	2,148	13
Carrying amount at 30 September	22,827	23,421	21,883
Current portion included in prepayments, deposits and other receivables	(1,421)	(1,550)	(1,551)
Non-current portion	21,406	21,871	20,332

HK Okabe Group's leasehold land is situated in Mainland China and is held under medium lease term.

13. INTERESTS IN SUBSIDIARIES

	HK Okabe		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	56,796	56,796	56,796
Due from subsidiaries	182,852	186,676	186,504
	239,648	243,472	243,300
Provision for impairment	(153,000)	(153,000)	(153,000)
	86,648	90,472	90,300

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of Deson, these advances are considered as quasi-equity loans to the subsidiaries.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to HK Okabe Direct	Indirect	Principal activities
Mellink Investment Limited	Hong Kong	HK$8,010,000	100%	–	Selling of golf club memberships and investment holding
惠州高爾夫球場有限公司 (“Huizhon Golf”)	PRC/Mainland China	RMB90,000,000	–	90%	Golf club operation

Huizhou Golf is registered as a sino-foreign cooperative joint venture under the PRC law. The operation period of Huizhou Golf is thirty years from its registration date on 6 November 1993. Under the terms of the joint venture agreement, HK Okabe Group, the foreign joint venture partner, and the Chinese joint venture partner share the profit generated from Huizhou Golf at percentages of 90% and 10%, respectively. HK Okabe Group is also responsible for the cost of development of the golf club. No profit has been shared to the Chinese joint venture partner as Huizhou Golf has recorded losses since its registration. After the expiry of the tenure of Huizhou Golf, all the fixed assets of Huizhou Golf will be transferred to the Chinese joint venture partner at nil consideration.

14. INTERESTS IN AN ASSOCIATE

	HK Okabe Group			HK Okabe		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	–	3	3	3
Share of net assets	–	–	–	–	–	–
	–	–	–	3	3	3
Due from an associate	12,552	8,052	8,052	12,552	8,052	8,052
	12,552	8,052	8,052	12,555	8,055	8,055
Provision for Impairment	(11,497)	(8,052)	(8,052)	(11,500)	(8,055)	(8,055)
	1,055	–	–	1,055	–	–

The amount advanced to the associate included in the interests in an associate above is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors of Deson, this advance is considered as quasi-equity loans to the associate.

The movement in provision for impairment are as follows:

	HK Okabe Group			HK Okabe		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October	11,497	11,497	8,052	11,500	11,500	8,055
Impairment losses reversed	–	(3,445)	–	–	(3,445)	–
At 30 September	11,497	8,052	8,052	11,500	8,055	8,055

Particulars of the associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation**	**Percentage of Ownership interest attributable to HK Okabe Group**	**Principal activities**
Pacific Chest Limited	Ordinary shares of HK$1 each	Hong Kong	25	Property trading

The above associate is not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

HK Okabe Group's shareholding in the associate comprises equity shares held by HK Okabe. The associate has been accounted for using the equity method in these Financial Information.

HK Okabe Group has discontinued the recognition of its share of loss of the above associate because it exceeded HK Okabe Group's interests in this associate.

The following table illustrates the summarised financial information of HK Okabe Group's associate extracted from its management accounts:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Assets	11,954	4,199	4,190
Liabilities	73,850	56,049	56,049
Revenue	253	13,914	1
Profit/(loss)	(325)	10,046	(9)

15. DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due from a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors of Deson, the amount was not likely to be repaid within the twelve months from the reporting dates.

16. INVENTORIES

	HK Okabe Group		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Utility supplies	56	45	34
Selling merchandises	28	41	47
Tools and parts	14	29	17
	98	115	98

17. ACCOUNTS RECEIVABLE

	HK Okabe Group		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Accounts receivable	92	214	92

HK Okabe Group's sales are mainly made by credit cards or cash on delivery. The remaining amounts are made on credit with term of one month. HK Okabe Group seeks to maintain strict control over its outstanding receivables. In view of the aforementioned, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable as at the reporting dates, based on the invoice date, is as follows:

	HK Okabe Group		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	92	214	92

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

	HK Okabe Group		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	92	214	92

Receivables that were neither past due nor impaired relate to recoginsed and creditworthy credit card companies and a large number of diversified golf club members for whom there was no recent history of default.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	HK Okabe Group		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Prepaid land lease payments	1,421	1,550	1,551
Prepayments	7	15	14
Deposits and other receivables	5,481	292	163
	6,909	1,857	1,728

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

19. DUE FROM THE HOLDING COMPANY

The amount due from the holding company is unsecured, interest-free and repayable on demand.

20. CASH AND CASH EQUIVALENTS

	HK Okabe Group			HK Okabe		
	2007	2008	2009	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and balance balances	8,041	2,163	2,413	–	3	2
Time deposit	4,687	15,411	12,741	–	–	–
Cash and cash equivalents	12,728	17,574	15,154	–	3	2

At 30 September 2007, 2008 and 2009, the aggregate cash and bank balances and deposits of HK Okabe Group denominated in Renminbi ("RMB") amounted to HK$1,229,000, HK$676,000 and HK$1,461,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, HK Okabe Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

21. ACCOUNTS PAYABLE

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

	HK Okabe Group		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	269	213	331

The accounts payable are non-interest-bearing and normally settled on demand.

22. DEFERRED INCOME AND ACCRUALS

	HK Okabe Group			HK Okabe		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income	15,496	14,520	13,551	–	–	–
Accruals	2,836	8,300	11,582	23	24	43
	18,332	22,820	25,133	23	24	43
Current portion	(3,812)	(9,269)	(12,543)	(23)	(24)	(43)
Non-current portion	14,520	13,551	12,590	–	–	–

Deferred income represents membership admission fees received that is not yet recognised in the income statement.

23. MEMBERSHIP DEPOSITS

Membership deposits are non-interest-bearing and repayable upon the holder withdraws from the club membership.

24. DEFERRED TAX

HK Okabe Group has tax losses in Hong Kong of HK$8,252,000, HK$11,328,000 and HK$13,441,000 as at 30 September 2007, 2008 and 2009, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which losses arose. HK Okabe Group has tax losses arising in Mainland China of HK$35,685,000, HK$39,603,000 and HK$39,769,000 as at 30 September 2007, 2008 and 2009, respectively, that will expire in five years for offsetting against future taxable profit of the company in which losses arose. HK Okabe Group also has other temporary deductible differences arising in Mainland China of HK$4,048,000, HK$4,429,000 and HK$4,432,000 as at 30 September 2007, 2008 and 2009,respectively. Deferred tax assets have not been recognised in respect of these losses and temporary deductible differences as they have arisen in companies that have been loss-making for some time and it is not considered probably that taxable profits will be available against with the tax losses and the temporary deductible differences can be utilised.

25. SHARE CAPITAL

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Authorised:			
55,550,000 ordinary shares of HK$1 each	55,550	55,550	55,550
Issued and fully paid:			
54,000,000 ordinary shares of HK$1 each	54,000	54,000	54,000

During the year ended 30 September 2007, pursuant to an ordinary resolution passed on 9 October 2006, the authorised share capital of HK Okabe was increased from HK$45,550,000 to HK$55,550,000 by the creation of 10,000,000 additional shares of HK$1 each, ranking pari passu in all respects with the existing shares of HK Okabe. On the same date, 9,899,999 ordinary shares of HK$1 each were issued, being the par value of each share, for cash, ranking pari passu in all respects with the existing shares of HK Okabe.

26. RESERVES

(a) HK Okabe Group

The movements in HK Okabe Group's reserves for the Relevant Periods are presented in the consolidated statements of changes in equity in Section I.

(b) HK Okabe

	Share premium account	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 October 2006	1,176	38,550	39,726
Loss for the year	–	(17)	(17)
At 30 September 2007 and 1 October 2007	1,176	38,533	39,709
Profit for the year	–	2,765	2,765
At 30 September 2008 and 1 October 2008	1,176	41,298	42,474
Loss for the year	–	(194)	(194)
At 30 September 2009	1,176	41,104	42,280

27. OPERATING LEASE ARRANGEMNETS

As lessee

HK Okabe Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging of one to two years.

At the reporting dates, HK Okabe Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	369	308	–
In the second to fifth years, inclusive	308	–	–
	677	308	–

HK Okabe had no operating lease arrangements as at 30 September 2007, 2008 and 2009.

28. RELATED PARTIES TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in this accountants' report, HK Okabe Group had the following material transactions with related parties during the Relevant Periods:

		HK Okabe Group		
	Notes	**2007**	**2008**	**2009**
		HK$'000	*HK$'000*	*HK$'000*
Rental income from the holding company	*(i)*	240	240	180
Administration fee income from the holding company	*(ii)*	240	240	180

Notes:

(i) The rental income was charged at HK$20,000 per month for the years ended 30 September 2007, 2008, and 2009, respectively. Such arrangement was terminated in June 2009.

(ii) The administration fee income was charged at HK$20,000 per month for the years ended 30 September 2007, 2008, and 2009, respectively. Such arrangement was terminated in June 2009.

(b) Outstanding balances with related parties:

Details of HK Okabe Group's balances with its holding company and its associate as at the end of the Relevant Periods are included in notes 19 and 14 to the Financial Information, respectively.

(c) Compensation of key management personnel of HK Okabe Group:

The key management personnel of HK Okabe Group, who are the directors of HK Okabe, did not receive any remuneration during the Relevant Periods.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

Financial assets

	HK Okabe Group Loans and receivables		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Due from an associate *(note 14)*	1,055	–	–
Due from a minority shareholder of a subsidiary	3,231	3,295	3,678
Accounts receivable	92	214	92
Financial assets included in prepayments, deposits and other receivables *(note 18)*	5,481	292	163
Due from the holding company	–	–	10
Cash and cash equivalents	12,728	17,574	15,154
	22,587	21,375	19,097

Financial liabilities

	HK Okabe Group Loans and borrowings		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Accounts payable	269	213	331
Membership deposits	21,600	20,750	20,500
	21,869	20,963	20,831

Financial assets

	HK Okabe Loans and receivables		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Due from subsidiaries *(note 13)*	86,648	90,472	90,300
Due from an associate *(note 14)*	1,055	–	–
Due from a minority shareholder of a subsidiary	6,021	6,021	6,021
Cash and bank balances	–	3	2
	93,724	96,496	96,323

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

HK Okabe Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for HK Okabe Group's operations. HK Okabe Group has various other financial assets and liabilities such as balances with the holding company, an associate and a minority shareholder of a subsidiary, accounts receivable and payable, deposits and other receivables, and membership deposits, which arise directly from its operations.

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

Foreign currency risk

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

The following table demonstrates the sensitivity at the reporting dates to a reasonably possible change in the Renminbi ("RMB") exchange rates, with all other variables held constant, of HK Okabe Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and HK Okabe Group's equity.

		Increase/ (decrease) in loss before tax	**Increase/ (decrease) in equity***
	%	*HK$'000*	*HK$'000*
2007			
If Hong Kong dollar weakens against RMB	5	155	–
If Hong Kong dollar strengthens against RMB	(5)	(155)	–
2008			
If Hong Kong dollar weakens against RMB	5	(365)	–
If Hong Kong dollar strengthens against RMB	(5)	365	–
2009			
If Hong Kong dollar weakens against RMB	5	(550)	–
If Hong Kong dollar strengthens against RMB	(5)	550	–

* Excluding retained profits

Credit risk

HK Okabe Group maintains its credit policy for its business operation as detailed in note 17 to the Financial Information. In addition, all receivable balances are closely monitored on an ongoing basis and HK Okabe Group's exposure to bad debts is not significant.

The credit risk of HK Okabe Group's other financial assets, which comprise amounts due from the holding company, subsidiaries, an associate and a minority shareholder of a subsidiary, other receivables and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since HK Okabe Group's sales on credit only made through recognised and creditworthy credit card companies, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of HK Okabe Group's accounts receivable are mainly from the golf club members and are widely dispersed.

Further quantitative data in respect of HK Okabe Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in notes 17 and 18 to the Financial Information, respectively.

Liquidity risk

HK Okabe Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

HK Okabe Group's objective is to maintain a balance between continuity of funding and flexibility through the funding from the holding company. HK Okabe Group's policy is to ensure the matching of maturity of its financial liabilities against its financial assets.

The maturity profile of HK Okabe Group's financial liabilities as at the reporting dates, based on the contractual undiscounted payments, was as follows:

HK Okabe Group

	2007
	On demand
	HK$'000
Accounts payable	269
Membership deposits	21,600
	21,869

	2008
	On demand
	HK$'000
Accounts payable	213
Membership deposits	20,750
	20,963

	2009
	On demand
	HK$'000
Accounts payable	331
Membership deposits	20,500
	20,831

Capital management

The primary objectives of HK Okabe Group's capital management are to safeguard HK Okabe Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

HK Okabe Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, HK Okabe Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

HK Okabe Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, accruals, and membership deposits, less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the reporting dates were as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Accounts payable	269	213	331
Accruals	2,836	8,300	11,582
Membership deposits	21,600	20,750	20,500
Less: Cash and cash equivalents	(12,728)	(17,574)	(15,154)
Net debt	11,977	11,689	17,259
Total capital	111,754	109,425	96,402
Capital and net debt	123,731	121,114	113,661
Gearing ratio	10%	10%	15%

31. EARNINGS PER SHARE

Earnings per share has not been presented as such information is not considered meaningful for the purpose of this report.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by HK Okabe Group in respect of any period subsequent to 30 September 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong
10 March 2010

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 September 2009 (the "Unaudited Pro Forma Financial Information") gives effect to the Acquisition as if the Acquisition had been completed on 30 September 2009.

The accompanying Unaudited Pro Forma Financial Information is based upon the historical consolidated balance sheets of the Group and HK Okabe Group as extracted from the respective unaudited interim report for the six months ended 30 September 2009 and the Financial Information for the year ended 30 September 2009, respectively, as set out in Appendices I and II to the Circular. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions; (ii) expected to have a continuing impact on the Group; and (iii) factually supportable, are summarised in the accompanying notes.

The accompanying Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying Unaudited Pro Forma Financial Information does not purport to describe the financial position that would have been presented had the Acquisition been completed. Further, the accompanying Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position.

The accompanying Unaudited Pro Forma Financial Information should be read in conjunction with the audited financial statements and unaudited interim condensed financial statements of the Group as set out in Appendix I and other financial information elsewhere in the Circular.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES ON THE ENLARGED GROUP

				Pro forma adjustments			
	The Group as at 30 September 2009	HK Okabe Group as at 30 September 2009	Total	Fair value adjustments	Acquisition of HK Okabe Group	Elimination of investment in HK Okabe Group	Unaudited pro forma Enlarged Group
	Note (1)	*Note (2)*		*Note (3)*	*Note (4)*	*Note (5)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS							
Property, plant and equipment	63,546	101,274	164,820				164,820
Investment properties	197,666	–	197,666				197,666
Prepaid land lease payments	5,649	20,332	25,981	16,867			42,848
Investment in HK Okabe	–	–	–		106,450	(106,450)	–
Interest in a jointly-controlled entity	5,161	–	5,161				5,161
Interests in associates	(3,427)	–	(3,427)				(3,427)
Due from a minority shareholder of a subsidiary	–	3,678	3,678				3,678
Financial assets at fair value through profit or loss	2,280	–	2,280				2,280
Total non-current assets	270,875	125,284	396,159				413,026
CURRENT ASSETS							
Amount due from holding company	–	10	10				10
Amounts due from associates	37,011	–	37,011				37,011
Properties held for sale	513,303	–	513,303				513,303
Gross amount due from contract customers	5,550	–	5,550				5,550
Inventories	810	98	908				908
Accounts receivable	60,163	92	60,255				60,255
Prepayments, deposits and other receivables	39,518	1,728	41,246				41,246
Cash and cash equivalents	41,375	15,154	56,529		(63,870)		(7,341)
Pledged deposits	31,314	–	31,314				31,314
Total current assets	729,044	17,082	746,126				682,256
CURRENT LIABILITIES							
Gross amount due to contract customers	49,631	–	49,631				49,631
Accounts payable	31,097	331	31,428				31,428
Other payables and accruals	129,595	12,543	142,138				142,138
Amounts due to associates	262	–	262				262
Accounts due to minority shareholders	20,131	–	20,131		42,580		62,711
Amounts due to related companies	20,107	–	20,107				20,107

	The Group as at 30 September 2009	HK Okabe Group as at 30 September 2009	Total	Pro forma adjustments: Fair value adjustments	Pro forma adjustments: Acquisition of HK Okabe Group	Pro forma adjustments: Elimination of investment in HK Okabe Group	Unaudited pro forma Enlarged Group
	Note (1)	*Note (2)*		*Note (3)*	*Note (4)*	*Note (5)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Membership deposits	–	20,500	20,500				20,500
Tax payable	55,381	–	55,381				55,381
Interest-bearing bank and other borrowings	100,053	–	100,053				100,053
Total current liabilities	406,257	33,374	439,631				482,211
NET CURRENT ASSETS/ (LIABILITIES)	322,787	(16,292)	306,495				200,045
TOTAL ASSETS LESS CURRENT LIABILITIES	593,662	108,992	702,654				613,071
NON-CURRENT LIABILITIES							
Deferred income	–	12,590	12,590				12,590
Interest-bearing bank and other borrowings	81,012	–	81,012				81,012
Deferred tax liabilities	19,411	–	19,411				19,411
Total non-current liabilities	100,423	12,590	113,013				113,013
Net assets	493,239	96,402	589,641				500,058
EQUITY							
Equity attributable to equity holders of the Company							
Issued capital	56,697	54,000	110,697			(54,000)	56,697
Reserves	431,869	42,402	474,271	16,867		(59,269)	438,688
						6,819	
	488,566	96,402	584,968				495,385
Minority interests	4,673	–	4,673				4,673
Total equity	493,239	96,402	589,641				500,058

Notes:

(1) This column represents the historical unaudited financial information of the Group as at 30 September 2009 extracted from the unaudited interim condensed financial statements of the Group for the six months ended 30 September 2009 as set out in Appendix I to this Circular.

(2) This column represents the historical audited financial information of HK Okabe Group as at 30 September 2009 extracted from the Financial Information of HK Okabe Group for the year ended 30 September 2009 as set out in Appendix II to this Circular.

(3) As indicated in the valuation report as included in the Appendix IV to the Circular, the market value of the prepaid land lease payments of HK Okabe Group were determined on 31 December 2009 by B.I. Appraisals Limited, independent professionally qualified valuers, at RMB84,730,000 (equivalent to HK$96,143,000 at exchange rate of 1.1347), based on an ongoing basis up to the expiration of the land use rights in the year 2044. The directors of the Company has made an adjustment on this market value of the prepaid land lease payments based on the expiration of the operation of 惠州高爾夫球場有限公司 ("Huizhou Golf") in the year 2023 at which time all the fixed assets (including the prepaid land lease payments and all items of property, plant and equipment) of Huizhou Golf will be transferred to the Chinese joint venture partner at nil consideration pursuant to the joint venture agreement entered into by Mellink Investment Limited, a wholly-owned subsidiary of HK Okabe and 深圳市康和泰貿易有限公司 (Shenzhen Kang He Tai Trading Co., Ltd., for identification only), the Chinese joint venture partner. On this basis, the market value of the prepaid land lease payment was discounted as a result of the shortening of useful life from year 2044 to year 2023 and that all the fixed assets will have no carrying amount upon the expiration of operation. The adjusted fair value of HK Okabe Group's prepaid land lease payments determined by the directors of the Company based on the above basis is approximately RMB34,152,000 (equivalent to HK$38,750,000 at exchange rate of 1.1347).

As a result, adjusted fair value gain of HK$16,867,000 is recognised, represents the excess of the adjusted fair value of HK Okabe Group's prepaid land lease payments determined by the directors of the Company of HK$38,750,000 as discussed above, over their carrying amounts as at 30 September 2009 of approximately HK$21,883,000 as discussed in note 12 to the Financial Information as included in the Appendix II to the Circular.

The carrying amount of HK Okabe Group's golf course facilities as at 30 September 2009 approximates to the value as indicated in the valuation report as included in the Appendix IV to the Circular. The fair value of the remaining assets and liabilities of HK Okabe Group are assumed to be approximate to the carrying amounts.

(4) The adjustments represent the Acquisition by the Group of the entire shareholding interests in HK Okabe Group for a consideration of HK$106,450,000 to be satisfied by cash. 40% of the consideration will be contributed by certain minority shareholders of a subsidiary of the Group to finance the Acquisition.

(5) The adjustments represent the elimination of the acquisition cost incurred by the Group and the pre-acquisition reserves of HK Okabe Group. Excess amount of the fair value of the identifiable assets and liabilities of HK Okabe Group over the fair value of consideration given by the Group of HK$106,450,000 (the "Excess Amount") amounting to HK$6,819,000 is recognised immediately in the income statement. Since the fair value of the identifiable assets and liabilities of HK Okabe Group at the date of completion of the Acquisition may be substantially different from the fair value of HK Okabe Group's identifiable assets and liabilities used in the preparation of this unaudited pro forma statement of assets and liabilties of the Enlarged Group, the final amount of Excess Amount to be recognised in connection with the Acquisition will be different from the estimated Excess Amount stated herein.

2. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in section (1) of Appendix III to this circular.

ERNST & YOUNG
安 永

The Board of Directors
Deson Development International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Deson Development International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out in Appendix III to the Company's circular dated 10 March 2010 (the "Circular") issued by the Company in connection with the proposed acquisition (the "Acquisition") of the entire shareholding interests in Hong Kong Okabe Company Limited ("HK Okabe", together with its subsidiaries, "HK Okabe Group"), pursuant to a sale and purchase agreement dated 27 January 2010. The pro forma financial information is unaudited and has been prepared by the directors of the Company, solely for illustrative purposes, to provide information about how the Acquisition as described in the accompanying introduction to the Unaudited Pro Forma Financial Information might have affected the historical financial information in respect of the Group presented in Appendix I to the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction and the notes to the Unaudited Pro Forma Financial Information in section (1) of Appendix III to the Circular.

Respective responsibilities of directors of the Company and the reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the unaudited evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2009 had the Acquisition actually been completed on that date or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong
10 March 2010

B.I.
o Know Your Strength Better

B.I. Appraisals Limited
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Email: info@biappraisals.com.hk
Website: www.bisurveyors.com.hk

10 March 2010

The Board of Directors
Deson Development International Holdings Limited
11th Floor, Nanyang Plaza
57 Hung To Road
Kwun Tong
Kowloon

Dear Sirs,

Re: The property in Huizhou Golf & Resort Club at Shi Er Tuo, Daling Town, Huidong County, Guangdong Province, the People's Republic of China (the "PRC")

In accordance with the instructions from Deson Development International Holdings Limited (hereinafter referred to as the "Company") for us to assess the market value of the property in Huizhou Golf & Resort Club at Shi Er Tuo, Daling Town, Huidong County, Guangdong Province (hereinafter referred to as the "Property"), which are exhibited to us as those held by Huizhou Golf Course Limited Company (hereinafter referred to as "Huizhou Golf") for the operation of a golf and resort club, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 31 December 2009 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for disclosure purpose in relation to the proposed acquisition of the entire shareholding interests in Hong Kong Okabe Company Limited by the Company and/or its subsidiaries (hereinafter together referred to as the "Group").

This letter, forming part of our valuation report, identifies the property being valued; explains the basis and methodology of our valuation; lists out the assumptions, the title investigation and the limiting conditions made in the course of our valuation; and states our opinion of value.

BASIS OF VALUATION AND ASSUMPTIONS

The objective of our valuation is to provide an independent opinion of the worth / investment value of the Property as at the Date of Valuation on an ongoing basis. We are instructed to provide apportionments of the reported value of the Property between the land element and the leasehold improvements (including buildings and structures erected and other leasehold improvements made on the land) thereof as of the Date of Valuation.

According to the International Valuation Standard (8th Edition 2007), which is also adopted by Hong Kong Institute of Surveyors, there are two valuation bases, namely, market value basis and valuation bases other than market value. Our valuation of the Property is on market value basis.

The term "Market Value" is define as "the estimated amount for which a property should exchange on the Date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

We assumed that, subject to the above definition, both the buyer and the seller contemplate the retention of the Property at its existing state for the continuation of the current operation as a going concern business, and both seeking their maximum economic self-interest in arriving at an arm's-length transaction. The market value in continued existing use is further defined as the market value of a property based on continuation of its existing use as part of an on-going business, assuming the property could be sold in the open market for its existing use, and otherwise in keeping with the market value definition regardless of whether or not the existing use represents the highest and best use of the property.

The opinion of the market value in continued existing use is not necessarily intended to represent the amount that might be realized from piecemeal disposal of the Property or from some other alternate uses.

Having considered the general and inherent characteristics of the Property, we are of the opinion that the Property is of specialized nature and it is impracticable to ascertain the indication of value of the Property on market basis. Our valuation on the Property is on the basis of the depreciated replacement cost ("DRC"), the definition of which is that "DRC is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization."

The DRC basis is considered as a surrogate for Market Value due to the absence of market based comparison and that the basis is a commonly accepted method in negotiating merger and acquisition in China.

This investigation is concerned solely with the value of the Property. Excluded from this investigation are machinery, equipment, supplies, inventories, materials on hand, spare parts and all other tangible assets of current nature and intangible assets that might exist. Our opinion of value are not related to the earning capacity of the business. It is assumed that prospective earnings are adequate to support the concluded value of the Property plus the value of other assets not included in this valuation, and sufficient net working capital. This report does not attempt to arrive at the value of Huizhou Golf as a total business entity.

Our valuation has been made on the assumption that the Property is sold on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect its value. In addition, no account has been taken of any option or right of pre-emption concerning or effecting a sale of the Property and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature that could affect its value.

In addition, in the course of our valuation, we have made the following assumptions:

a) The Property has been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated.

b) The Property is finished and maintained in reasonable condition commensurate with its age and use and is in its original layout without any unauthorized alteration.

c) All consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Property upon which our valuation is based.

Other specific assumptions, if any, have been stated in the footnotes of the valuation certificate.

VALUATION METHODOLOGY & PROCEDURES

Having considered the general and inherent characteristics of the Property, which is owner-occupied and operated as a golf and resort club, we have adopted the depreciated replacement cost ("DRC") method. The DRC method is an application of the Cost Approach in valuing specialized properties and is based on an estimate of the market value for the existing use of the land in the property valued, and the costs to reproduce or replace in new condition the buildings and structures being valued in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The DRC method generally furnishes the most reliable indication of value for a property in the absence of a known market based on comparable sales.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents relating to the Property. In the course of our valuation, we have relied on the advice given by the Company regarding the title to the Property and the legal opinion dated 8 February 2010 prepared by 廣東深君聯律師事務所 (Guangdong Shen Jun Lian Law Firm), the Group's legal advisor on PRC law, regarding the title to and the interest of Huizhou Golf in the Property.

LIMITING CONDITIONS

Our valuation has been carried out in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

We have inspected the exterior and, where possible, the interior of the Property. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Property. We are, therefore, not able to report that the Property is free from rot, infestation or any other structural defects. Yet, in the course of our inspection, we did not note any serious defects.

We have not conducted on-site measurement to verify the correctness of the site and floor areas of the Property but have assumed that the areas shown on the documents made available to us are correct. Dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

We have relied to a considerable extent on the information and advices made available to us by the Company on such matters as planning approvals, statutory notices, easements, tenure, site and floor areas and all other relevant matters in the identification of the Property. We have not seen original planning consents and have assumed that the Property have been erected, occupied and used in accordance with such consents.

We have not investigated any financial data pertaining to the present or prospective earning capacity of the operation in which the Property is used. It was assumed that prospective earnings would provide a reasonable return on the fair market value of the Property, plus the value of any assets not included in this valuation, and adequate net working capital.

This valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

CURRENCY

Unless otherwise stated, all monetary amounts stated in the valuation certificate are in Renminbi (RMB).

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Group, Huizhou Golf and its holding companies, the Property, or the values reported herein.

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note: Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 25 years' experience in the valuation of properties in Hong Kong and has over 10 years' experience in asset valuation in the People's Republic of China and the Asia Pacific regions.

VALUATION CERTIFICATE

Property	**Description & tenure**	**Particulars of occupancy**	**Market value in existing state as at 31 December 2009**
The property in Huizhou Golf & Resort Club, Shi Er Tuo, Daling Town, Huidong County, Guangdong Province, the PRC	The Property is a golf and resort club developed on a site formed by two parcels of land with a total site area of approximately 1,008,724.99 sq.m. (10,857,916 sq.ft.). The Property comprises an 18-hole golf course with a total length for the fairway of 7,020 yards and four tennis courts together with fourteen blocks of 1 to 2-storey buildings including a block of 2-storey clubhouse, two blocks of 2-storey members' home, eleven blocks of 1-storey buildings as golf cart garage, repair workshop, sand warehouse, electricity plant room, guardhouse, staff quarters and staff canteen; and various blocks of ancillary buildings and structures including a driving range, a guardhouse, storages for LP gas container, petroleum and sand, sewage treatment stations, car parking shed and water tower. The buildings and structures were completed in the period between 1997 and 2009. The total gross floor area of the buildings in the Property is approximately 9,474.41 sq.m. (101,983 sq.ft.). The land use rights of the Property have been granted for other commercial and services uses for a term due to expire in 2044 (see Notes 2 and 3)	The Property is currently occupied by Huizhou Golf for the operation of a golf and resort club.	RMB168,600,000 *(See Note 12 below)*

Notes:

(1) Pursuant to the Contract for Grant of State-owned Land Use Right dated 9 June 1994 entered into between 惠東縣國土局 (Huidong County State-owned Land Bureau) and Huizhou Golf, the land use right of a parcel of land with a site area of approximately 1,333,200 sq.m. has been agreed to be granted to Huizhou Golf for the development of a golf course project for a term of 50 years.

(2) Pursuant to the Certificate of State-owned Land Use 惠東國用(2004)第020103號 (Hui Dong Guo Yong (2004) No. 020103) dated 8 March 2004 issued by People's Government of Huidong County, the land use right of a parcel of land with a site area of 200,000.00 sq.m. has been granted to Huizhou Golf for a term due to expire on 17 August 2044 for other commercial and services uses.

(3) Pursuant to the Certificate of State-owned Land Use 惠東國用(2004)第020104號 (Hui Dong Guo Yong (2004) No. 020104) dated 8 March 2004 issued by People's Government of Huidong County, the land use right of a parcel of land with a site area of 1,133,066.60 sq.m. has been granted to Huizhou Golf for a term due to expire on 25 July 2044 for other commercial and services uses.

(4) We have been advised that eight portions of the land mentioned in Note 2 above with a total site area of 324,341.61 sq.m. have subsequently been carved out and disposed of in about 2007. Accordingly, the net site area for the Property is 1,008,724.99 sq.m.

(5) Pursuant to fourteen sets of Certificate of Real Estate Ownership issued by People's Government of Huidong County, the title to fourteen blocks of buildings in the Property with a total gross floor area of 9,474.41 sq.m. is vested in Huizhou Golf. Details of the said certificates are summarized as follows:

Certificate No.	Date of Registration	Name of Building	No. of Storey	Gross Floor Area *(sq.m.)*
粵房地證字第C0272571號 (Yue Fang Di Zheng Zi No. C0272571)	28 January 2001	Members' Home Block A	2	1,112.28
粵房地證字第C0272572號 (Yue Fang Di Zheng Zi No. C0272572)	28 January 2001	Senior Staff Quarters A	1	218.93
粵房地證字第C0272573號 (Yue Fang Di Zheng Zi No. C0272573)	28 January 2001	Staff Canteen	1	314.26
粵房地證字第C0272574號 (Yue Fang Di Zheng Zi No. C0272574)	28 January 2001	Electricity Plant Room	1	91.12
粵房地證字第C0272575號 (Yue Fang Di Zheng Zi No. C0272575)	28 January 2001	Guardhouse	1	65.29
粵房地證字第C0272576號 (Yue Fang Di Zheng Zi No. C0272576)	28 January 2001	Female Staff Quarters	1	641.48
粵房地證字第C0272577號 (Yue Fang Di Zheng Zi No. C0272577)	28 January 2001	Male Staff Quarters	1	641.62
粵房地證字第C0272578號 (Yue Fang Di Zheng Zi No. C0272578)	28 January 2001	Repair Workshop	1	664.29
粵房地證字第C0272579號 (Yue Fang Di Zheng Zi No. C0272579)	28 January 2001	Guardhouse	1	33.09
粵房地證字第C0272580號 (Yue Fang Di Zheng Zi No. C0272580)	28 January 2001	Clubhouse	2	3,343.17
粵房地證字第C0272581號 (Yue Fang Di Zheng Zi No. C0272581)	28 January 2001	Senior Staff Quarters	1	178.02
粵房地證字第C0272582號 (Yue Fang Di Zheng Zi No. C0272582)	28 January 2001	Sand Warehouse	1	331.38
粵房地證字第C0272583號 (Yue Fang Di Zheng Zi No. C0272583)	28 January 2001	Golf Cart Garage	1	910.98
粵房地證字第C0274668號 (Yue Fang Di Zheng Zi No. C0274668)	27 November 2001	Members' Home Block B	2	928.50

(6) Pursuant to the Sino-foreign Co-operative Agreement for Huizhou Golf dated 16 March 1992 entered into amongst 惠州市惠鞍實業發展總公司 (Huizhou City Hui An Industry Development Head Limited, "Party A") 惠東縣農業資源開發公司 (Huidong County Agricultural Resources Development Limited, "Party B") and Mellink Investment Limited ("Party C"), all three parties agreed to set up the co-operative joint venture company of Huizhou Golf. Major terms and conditions of the Sino-foreign Co-operative Agreement are summarized as follows:

a) The total investment and registered capital of Huizhou Golf are HK$100,000,000 and HK$50,000,000 respectively.

b) Party A is to provide the land with an area of approximately 1,500 mu as capital; Party B is to provide the supplies of water, electricity and communication and facilities for livings; and Party C is to provide the registered capital and all the investment capital.

c) The profit is to be distributed among the three parties on the ratio of 50% (Party A), 10% (Party B) and 40% (Party C).

d) The co-operative period of Huizhou Golf is for 30 years from the date of issue of the business licence.

e) Upon expiry of the co-operative period, the fixed assets of Huizhou Golf shall be transferred to Party A and Party B at nil consideration at a ratio of 80% and 20% respectively.

(7) Pursuant to the Supplementary Agreement of the Sino-foreign Co-operative Agreement for Huizhou Golf dated 28 December 1993 entered into between Huizhou City Hui An Industry Development Head Limited ("Party A") and Mellink Investment Limited ("Party B"), both parties agreed to amend the Sino-foreign Co-operative Agreement after Huidong County Agricultural Resources Development Limited had withdrawn from the co-operation. Major terms and conditions of the Supplementary Agreement are summarized as follows:

a) Party A is to be responsible for the requisition procedure for the land of approximately 1,200 mu and to provide water, electricity and communication facilities; whereas Party B is to provide the total capital investment of HK$100,000,000.

b) The shareholdings in Huizhou Golf between Party A and Party B are 10% and 90% respectively.

c) Upon expiry of the co-operative period, the fixed assets of Huizhou Golf shall be transferred to Party A at nil consideration.

(8) Pursuant to the Business Licence of Huizhou Golf issued by 惠州市工商行政管理局 (Huizhou Municipal Industry & Commerce Administration Bureau) dated 6 June 2007, Huizhou Golf was established on 6 November 1992 with a Registered No. 企作粵惠總字第001919第 (Qi Zuo Yue Hui Zong Zi No. 001919), the scope of business of which include to develop and operate an 18-hole golf course with ancillary facilities including golf clubhouse, members' rest-house, restaurant, business hall, etc. It also states that the period of operation is from 6 November 1993 to 5 November 2023.

(9) We have been advised by the Company that Huizhou Golf is a 90% indirectly-owned subsidiary of Hong Kong Okabe Company Limited.

(10) The legal opinion of Guangdong Shen Jun Lian Law Firm dated 8 February 2010 is summarized as follows:

a) Huizhou Golf is a Sino-foreign joint venture company duly formed and validly existing under the PRC laws.

b) Huizhou Golf is in possession of a proper legal title to the Property and is entitled to transfer, sell, mortgage and lease the Property in accordance with the relevant PRC laws.

c) The Property is currently used in accordance with its permitted usage.

d) The Property is not subject to any third party lease or mortgage.

e) Apart from that all fixed assets of Huizhou Golf shall be transferred to the PRC partner at nil consideration upon expiry of the co-operative period as stated in Article 74 of the Articles of Association of Huizhou Golf, Huizhou Golf has not entered into any agreement for transferring, selling, mortgaging, leasing, licensing of the Property.

f) The Property or its ownership is not involved in any seizure, distraint, realization, or other dispute or contention; and is not restricted by any onerous or unusual deed, term or condition.

(11) In the course of our valuation, we have not taken into consideration the arrangement of the fixed assets upon expiry of the co-operative period.

(12) The apportioned values for the land element and leasehold improvements of the Property are RMB84,730,000, RMB84,130,000 respectively.

(13) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Contract for Grant of State-owned Land Use Rights	Yes
Certificate of State-owned Land Use	Yes
Certificate of Real Estate Ownership	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(i) Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions under Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Sections 344 and 345 of the SFO) or the Model Code for Securities Transactions by Directors of Listed Companies, or which would have to be, pursuant to Section 352 of the SFO, entered in the register referred to herein:

Name of Director	Capacity	Number of Shares	Approximate percentage of the Company's issued share capital
Mr. Tjia Boen Sien (“Mr. Tjia”)	Interest by attribution *(Note 1)*	226,250,000	39.90%
	Beneficial Owner	42,009,400	7.41%
Mr. Wang Jing Ning	Beneficial Owner	12,839,600	2.26%
Mr. Wang Ke Duan	Beneficial Owner	268,960	0.05%
Mr. Siu Man Po	Beneficial Owner	180,000	0.03%

Note 1: These Shares were held by Sparta Assets Limited (“Sparta Assets”), a company incorporated in the British Virgin Islands which was wholly owned by Mr. Tjia.

(ii) Save as disclosed below, the Directors or chief executive of the Company are not aware of any other person (other than a Director or chief executive whose interests are disclosed under (i) above) who, as at the Latest Practicable Date, had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of

Part XV of the SFO or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	**Capacity**	**Number of shares**	**Approximate percentage of the Company's issued share capital**
Sparta Assets *(Note 1)*	Beneficial Owner	226,250,000	39.90%
Mr. Tjia Boen Sien	Interests of controlled corporation	226,250,000	39.90%
	Directly beneficially own	42,009,400	7.41%
Penta Investment Advisers Limited ("Penta")	Investment manager	102,030,000	18.00%
Mr. John Zwaanstra *(Note 2)*	Interests of controlled corporation	102,030,000	18.00%
Penta Asia Fund, Ltd. ("Penta Asia") *(Note 3)*	Interests of controlled corporation	67,052,000	11.83%
Mr. Todd Zwaanstra *(Note 3)*	Trustee (other than a bare trustee)	67,052,000	11.83%
Mercurius GP LLC ("Mercurius") *(Note 4)*	Founder of a discretionary trust	67,052,000	11.83%

Notes:

1. Sparta Assets, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, was beneficially interested in 226,250,000 ordinary Shares of the Company.

2. Mr. John Zwaanstra was deemed to have interests in the Shares of the Company through his 100% interest in Penta. Mr. John Zwaanstra was also deemed to have interests in the shares of the Company in which Penta Asia and Mercurius were interested through his control of more than one-third of the voting power of Mercurius.

3. These interests were held by Penta Master Fund, Ltd. ("Penta Master"), a wholly-owned subsidiary of Penta Asia. Mr. Todd Zwaanstra was deemed to have interests in the Shares of the Company in which Penta Master was interested pursuant to his control of more than one-third of the voting power of Penta Asia as trustee of the Mercurius Partners Trust ("Mercurius Trust"), which is a discretionary trust.

4. Mercurius was the founder of the Mercurius Trust and was therefore deemed to have interests in the shares of the Company in which Mr. Todd Zwaanstra were interested as the trustee of the Mercurius Trust.

Save as disclosed above, no person, other than the Directors of the Company, whose interest are set out in paragraph (i) above, at the Latest Practicable Date, had registered an interest or short position in the Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors had interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which fell to be disclosed under the Listing Rules.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had entered into any existing or proposed service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position, including debts, borrowings and liabilities conditions, of the Group since 31 March 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or the Enlarged Group.

7. DIRECTORS' INTERESTS IN CONTRACTS

So far as the Directors are aware, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets of material importance to the Company which had been acquired or disposed of or leased to or which were proposed to be acquired or disposed of or leased to any member of the Enlarged Group since 31 March 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Enlarged Group taken as a whole.

8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or any other member in the Enlarged Group in the two years immediately preceding the date of this circular and which are or may be material:

(a) A tenancy agreement dated 19 March 2008 entered into between 美格菲(成都)康體發展有限公司 (Megafit Chengdu Recreation Development Company Limited*) (an indirectly wholly-owned subsidiary of the Company), as the landlord, and 上海美格菲健身中心有限公司 (Shanghai Megafit Fitness Centre Company Limited*) (a company indirectly non-wholly owned by Mr. Tjia Boen Sien (the Managing Director and Deputy Chairman of the Company), as the tenant, in relation to the lease of the property located at No. 1 Xiao Ke Jia Xiang, 5th Floor, Jinjiang Area, Chengdu, Sichuan Province, PRC. The tenancy agreements are contracted for three years commencing 1 April 2008, and the monthly rent payable is RMB150,000.

(b) A tenancy agreement dated 19 March 2008 entered into between Deson Development Limited (an indirectly wholly-owned subsidiary of the Company), as the landlord, and Fitness Concept Limited (a company indirectly wholly-owned by Mr. Tjia Boen Sien (the Managing Director and Deputy Chairman of the Company), as the tenant, in relation to the lease of the property located at Unit 04-05, 11/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The tenancy agreements are contracted for three years commencing 1 April 2008, and the monthly rent payable is HK$45,000.

(c) A shareholders agreement dated 6 May 2009 entered into between Deson Development Holdings Limited ("**DDHL**") (a wholly-owned subsidiary of the Company) and Skill Achieve Investments Limited ("**Skill Achieve**") in relation to the formation of a joint venture company named Deson Development International Holdings Investment Limited ("**DDIHIL**"), the issued share capital of which will be owned as to 70% by Skill Achieve and as to 30% by DDHL. DDIHIL will invest in a 10% equity interest in Zhejiang Construction Investment Group Company Limited ("**ZJC**"), a state-owned enterprise in PRC as reorganized under a reorganization scheme. So as to fund DDIHIL's investment in a 10% equity interest in the reorganized ZJC, the parties to the shareholders agreement have agreed to advance shareholder's loans to DDIHIL in proportion to their respective shareholdings in the DDIHIL. Accordingly, DDHL shall advance the total sum of RMB24 million, and Skill Achieve shall advance the total sum of RMB56 million to the JV Company.

(d) A supplemental agreement dated 25 June 2009 entered into between DDHL and Skill Achieve in relation to the variation of the terms of the joint venture company formed under the shareholders agreement dated 6 May 2009. The issued share capital of DDIHIL will be owned as to 20% by DDHL and 80% by Skill Achieve. In order to finance the investment in the 10% equity interest in ZJC,

* *For identification only*

DDHL and Skill Achieve agreed to advance shareholders' loans to DDIHIL in proportion to their respective equity interests in DDIHIL. Accordingly, DDHL shall advance a total amount of RMB29 million, and Skill Achieve shall advance a total amount of RMB116 million, to DDIHIL.

(e) A sale and purchase agreement dated 9 December 2009 entered into between Super Sight Investments Inc., as the vendor, and Mr. Wang Jing Ning (a Director of the Company), as the purchaser, in relation to the sale and purchase of the properties located at shops 201 and 202 of Phase IV of Asian Villas City Square, Southern Area, Jinpen Industrial Development Zone, Haikou, Hainan Province, PRC. The consideration of the disposal is RMB7,164,276.

(f) The Agreement.

9. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts (the "**Experts**") who have given their advice, letters or reports for the inclusion in this circular:

Name	Qualification	Nature of opinion or advice	Date of Opinion
Ernst & Young	Certified Public Accountants	Accountants' Report	10 March 2010
B.I. Appraisals Limited	Chartered Surveyors	Property Valuation Report	10 March 2010

10. CONSENT

The Experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their advice, letters, reports and references to their names in the form and context in which they appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, none of the Experts had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2009 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

11. MISCELLANEOUS

(a) The Company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

(b) The Hong Kong branch share registrar of the Company is Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.

(c) The Company secretary of the Company is Mr. Lam Wing Wai, Angus. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

(d) The English text of this circular shall prevail over Chinese text in the case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong up to and including the date of the SGM:–

(a) the memorandum of association and bye-laws of the Company;

(b) the audited consolidated accounts of the Group for each of the two years ended 31 March 2008 and 31 March 2009, respectively, the text of which is set out in Appendix I to this circular;

(c) the accountants' report on the financial information of the Target Group prepared by Ernst & Young, the text of which is set out in Appendix II to this circular;

(d) the letter in respect of the unaudited pro forma financial information of the Enlarged Group prepared by Ernst & Young, the text of which is set out in Appendix III to this circular;

(e) the valuation report prepared by B.I. Appraisals Limited, the text of which is set out in Appendix IV to this circular;

(f) the written consents of the Experts; and

(g) the material contracts referred to in the paragraph headed "Material contracts" in this appendix.

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Deson Development International Holdings Limited (the "Company") will be held at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong, on 25 March 2010 at 10:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modification) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(A) the sale and purchase agreement dated 27 January 2010 (the "Agreement") entered into among (i) Okabe Co. Ltd. and Mr. Sehata Shinichi, as vendors; and (ii) Lead Joy Investments Limited as purchaser, in relation to the acquisition of the entire shareholding interests in Hong Kong Okabe Company Limited (a copy of the Agreement has been produced to the meeting marked "A" and initialed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(B) the directors of the Company (the "Directors") be and are hereby authorised to do all such acts and things, sign and execute all such further documents and take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to implement and/or give effect to or in connection with the Agreement and the transactions contemplated thereunder."

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

Hong Kong, 10 March 2010

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is appointed. A proxy need not be a shareholder of the Company.

* *For identification only*

2. In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof.

3. Completion and return of the proxy form shall not preclude a shareholder from attending and voting in person at the meeting or any adjournment thereof if he or she so desires and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.

4. Where there are joint holders of any share, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he/she were solely entitled to vote; but if more than one of such joint holders be present at the meeting in person or by proxy, then the one of such holders whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

5. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

6. As at the date of this notice, the executive Directors of the Company are Mr. Wang Ke Duan, Mr. Tjia Boen Sien, Mr. Wang Jing Ning and Mr. Keung Kwok Cheung and the independent non-executive Directors of the Company are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver.