Deson Development International Holdings Limited
迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 2017 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 September 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000* (Restated)
CONTINUING OPERATIONS			
REVENUE	*3*	**26,001**	157,983
Cost of sales		**(11,443)**	(91,438)
Gross profit		**14,558**	66,545
Fair value gain on investment properties, net	*10*	**–**	2,223
Other income and gains	*3*	**9,430**	15,440
Administrative expenses		**(31,658)**	(30,687)
Other operating income, net		**1,293**	345
Finance costs	*5*	**(6,888)**	(21,516)
Share of profits and losses of associates		**14,925**	3,008
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*4*	**1,660**	35,358
Income tax expense	*6*	**(736)**	(27,298)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**924**	8,060
DISCONTINUED OPERATIONS			
PROFIT FOR THE PERIOD FROM DISCONTINUING OPERATIONS	*8*	**–**	48,818
PROFIT FOR THE PERIOD		**924**	56,878

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 September 2017

	Note	**2017** **HK$'000**	2016 HK$'000 (Restated)
Attributable to:			
Owners of the Company		**1,217**	32,605
Non-controlling interests		**(293)**	24,273
		924	56,878
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic and diluted			
– For profit of the period		**HK0.12 cent**	HK3.33 cents
– For profit from continuing operations		**HK0.12 cent**	HK0.82 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**924**	56,878
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	**–**	(2,801)
Exchange differences on translation of foreign operations	**37,781**	(37,609)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**37,781**	(40,410)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**38,705**	16,468
Attributable to:		
Owners of the Company	**38,995**	(6,976)
Non-controlling interests	**(290)**	23,444
	38,705	16,468

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 HK$'000	31 March 2017 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**213,218**	217,258
Investment properties	*10*	**919,269**	887,841
Goodwill		**–**	–
Investment in associates	*11*	**113,185**	98,260
Available-for-sale investments		**21,641**	21,641
Total non-current assets		**1,267,313**	1,225,000
CURRENT ASSETS			
Due from associates		**411**	356
Due from related companies		**3,319**	2,637
Properties held for sale under development and properties held for sale	*12*	**1,155,819**	1,075,972
Inventories		**7,055**	8,444
Accounts receivable	*13*	**31,813**	34,586
Prepayments, deposits and other receivables		**59,378**	35,445
Equity investments at fair value through profit or loss	*14*	**4,534**	4,329
Pledged deposits		**134,550**	182,900
Cash and cash equivalents		**59,720**	67,073
		1,456,599	1,411,742
Assets of a disposal group classified as held for sale	*17*	**154,710**	146,316
Total current assets		**1,611,309**	1,558,058

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2017

	Notes	30 September 2017 HK$'000	31 March 2017 HK$'000 (Audited)
CURRENT LIABILITIES			
Accounts payable	*15*	**9,065**	9,149
Other payables and accruals		**414,332**	254,471
Due to associates		**5,224**	5,549
Tax payable		**37,059**	51,075
Interest-bearing bank and other borrowings		**367,982**	512,978
		833,662	833,222
Liabilities directly associated with the assets of a disposal group classified as held for sale	*17*	**72,163**	68,721
Total current liabilities		**905,825**	901,943
NET CURRENT ASSETS		**705,484**	656,115
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,972,797**	1,881,115
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**332,280**	277,415
Deferred tax liabilities		**149,484**	146,987
Total non-current liabilities		**481,764**	424,402
Net assets		**1,491,033**	1,456,713
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*16*	**97,788**	97,788
Reserves		**1,392,962**	1,358,805
		1,490,750	1,456,593
Non-controlling interests		**283**	120
Total equity		**1,491,033**	1,456,713

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2016

	Attributable to owners of the Company														
	Issued capital	Share premium account	Contributed surplus	Other reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Share option reserve	Exchange fluctuation reserve	Investment revaluation reserve	Reserve funds	Retained profits	Total	Non-controlling 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 2016 (audited)	97,788	243,040	15,262	23,061	116,880	(9,240)	14,457	4,689	12,180	2,801	4,529	834,819	1,360,266	20,983	1,381,249
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	32,605	32,605	24,273	56,878
Other comprehensive loss for the period:															
Share of other comprehensive loss of associates	–	–	–	–	–	–	–	–	–	(2,801)	–	–	(2,801)	–	(2,801)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(36,780)	–	–	–	(36,780)	(829)	(37,609)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	–	(36,780)	(2,801)	–	32,605	(6,976)	23,444	16,468
Release of revaluation reserve	–	–	–	–	(2,481)	–	–	–	–	–	–	2,481	–	–	–
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	–	–	–	(1,333)	–	–	–	1,333	–	–	–
Equity-settled share option arrangement	–	–	–	–	–	–	–	1,300	–	–	–	–	1,300	–	1,300
At 30 September 2016	97,788	243,040	15,262	23,061	114,399	(9,240)	14,457	4,656	(24,600)	–	4,529	871,238	1,354,590	44,427	1,399,017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Period ended 30 September 2017

	Attributable to owners of the Company													
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017 (audited)	97,788	243,040	15,262	23,061	123,367	(9,240)	14,457	4,656	(54,538)	3,673	995,067	1,456,593	120	1,456,713
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	1,217	1,217	(293)	924
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	37,778	-	-	37,778	3	37,781
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	37,778	-	1,217	38,995	(290)	38,705
Capital injection from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	-	453	453
Equity-settled share option arrangement	-	-	-	-	-	-	-	52	-	-	-	52	-	52
Release of revaluation reserve	-	-	-	-	(2,596)	-	-	-	-	-	2,596	-	-	-
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	-	(2,310)	-	-	2,310	-	-	-
Final 2017 paid	-	-	-	-	-	-	-	-	-	-	(4,890)	(4,890)	-	(4,890)
At 30 September 2017	97,788	243,040*	15,262*	23,061*	120,771*	(9,240)*	14,457*	2,398*	(16,760)*	3,673*	996,300*	1,490,750	283	1,491,033

* These reserve accounts comprise the consolidated reserves of HK$1,392,962,000 (31 March 2017: HK$1,358,805,000) in the condensed consolidated statement of financial position.

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "**Listing Rules**") 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 land and buildings classified as property, plant and equipment, and investment properties, which have been measured at valuation or fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2017.

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 2017, except as described below:

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants.

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

The adoption of these amendments to HKFRSs has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

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

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

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

On 31 March 2017, the Group disposed of and discontinued its operations of the construction business and securities investment. Accordingly, the comparative segment information related to the construction business and securities investment is reclassified as "profit for the period from discontinued operations" in the consolidated statement of profit or loss. Further details regarding the discontinued operations are set out in note 8 to the financial statements.

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

2. OPERATING SEGMENT INFORMATION (continued)

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

Period ended 30 September 2017

	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:			
Income from external customers	14,823	11,178	26,001
Other income and gains	6,961	214	7,175
	21,784	11,392	33,176
Segment results			
Operating loss	(3,955)	(1,011)	(4,966)
Reconciliation:			
Interest income			1,256
Dividend income			794
Fair value gain on equity investments at fair value through profit or loss			205
Unallocated expenses			(3,666)
Finance costs			(6,888)
Share of profits and losses of associates			14,925
Profit before tax from continuing operations			1,660
Other segment information:			
Reversal of impairment of other receivables	(646)	–	(646)
Provision for inventories	–	54	54
Depreciation	4,782	2,058	6,840
Capital expenditure*	712	52	764

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

2. OPERATING SEGMENT INFORMATION (continued)

Period ended 30 September 2016

	Property development and investment business	Others	Total
	HK$'000	*HK$'000*	*HK$'000* (Restated)
Segment revenue:			
Income from external customers	143,824	14,159	157,983
Other income and gains	5,808	84	5,892
	149,632	14,243	163,875
Segment results			
Operating profit	46,298	3,134	49,432
Reconciliation:			
Interest income			9,548
Fair value gain on financial liabilities at fair value through profit or loss			–
Unallocated expenses			(5,114)
Finance costs			(21,516)
Share of profits and losses of associates			3,008
Profit before tax from continuing operations			35,358
Other segment information:			
Loss on disposal of items of property, plant and equipment	–	8	8
Impairment of accounts receivable	–	52	52
Provision for inventories	112	87	199
Depreciation	2,888	52	2,940
Capital expenditure*	65	87	152

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

3. REVENUE, OTHER INCOME AND GAINS

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

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Income from property development and investment business	**14,823**	143,824
Income from trading of medical equipment, home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products of construction market	**11,178**	14,159
	26,001	157,983
Other income and gains		
Bank interest income	**1,256**	9,548
Dividend income	**794**	–
Gross rental income	**6,733**	4,178
Fair value gain on equity investments at fair value through profit or loss	**205**	–
Others	**442**	1,714
	9,430	15,440

4. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Cost of properties sold	**4,058**	81,914
Cost of inventories sold and services provided	**7,385**	9,524
Depreciation	**6,840**	2,940
Minimum lease payments under operating leases on land and buildings	**446**	278
Loss on disposal of items of property, plant and equipment^	**–**	8
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**9,984**	11,947
Equity-settled share option expenses	**52**	1,300
Pension schemes contributions*	**217**	196
Less: Amount capitalised	**(1,071)**	(1,613)
	9,182	11,830
Directors' remuneration:		
Fee	**180**	180
Salaries and allowances	**1,981**	1,838
Equity-settled share option expenses	**16**	452
Pension schemes contributions	**26**	23
	2,203	2,493
Provision for inventories, included in cost of inventories sold	**54**	199
Impairment of accounts receivable^	**–**	52
Reversal of impairment of other receivables^	**(646)**	–
Foreign exchange differences, net^	**(647)**	(405)

* At 30 September 2017, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2016: Nil).

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

5. FINANCE COSTS

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Interest on bank and other borrowings	**19,594**	34,630
Less: Interest capitalised	**(12,706)**	(13,114)
	6,888	21,516

6. INCOME TAX

Hong Kong profits tax from continuing operations has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Current – Elsewhere		
Charge for the period	**–**	7,024
Overprovision in prior years	**–**	(2,095)
Deferred	**103**	1,429
LAT in Mainland China	**633**	20,940
Total tax charge for the period from continuing operations	**736**	27,298

7. INTERIM DIVIDEND

The Board of Directors does not recommend the payment of interim dividend in respect of the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

8. DISCONTINUED OPERATIONS

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

The results of the discontinued operations for the period presented below:

	2016 *HK$'000*
Revenue	484,206
Cost of sales	(424,445)
Other income and gains	697
Administrative expenses	(13,122)
Other operating income	2,919
Finance costs	(1,436)
Profit before tax from the discontinued operations	48,819
Income tax expense	(1)
Profit for the period from discontinued operations	48,818

The net cash flows incurred by the DCIHL Group are as follows:

	2016 *HK$'000*
Operating activities	2,231
Investing activities	(20)
Financing activities	25,902
Net cash inflow	28,113
Earnings per share:	
Basic, from the discontinued operations	HK2.51 cents
Diluted, from the discontinued operations	HK2.51 cents

8. DISCONTINUED OPERATIONS (continued)

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	2016
Profit attributable to ordinary equity holders of the parent from the discontinued operations	HK$24,545,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	977,880,400
Weighted average number of ordinary shares used in the diluted earnings per share calculation	977,880,400

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 977,880,400 (30 September 2016: 977,880,400) in issue during the period.

No adjustment was made to the basic earnings per share amount presented for the six months ended 30 September 2017 and 2016 as the impact of share options had an anti-dilutive effect on the basic earnings per share amount for the periods end 30 September 2017 and 30 September 2016.

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent,		
From continuing operations	**1,217**	8,060
From discontinued operations	**–**	24,545
Profit attributable to ordinary equity holders of the parent	**1,217**	32,605

10. INVESTMENT PROPERTIES

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Carrying amount at beginning of period/year	**887,841**	1,056,900
Net gain from fair value adjustment	**–**	35,461
Disposal of subsidiaries	**–**	(10,961)
Assets included in a disposal group	**–**	(131,532)
Exchange realignment	**31,428**	(62,027)
Carrying amount at end of period/year	**919,269**	887,841

As at 30 September 2017, investment properties of the Group with a carrying amount of HK$757,616,000 (31 March 2017: HK$733,421,000) were leased to independent third parties.

11. INVESTMENTS IN ASSOCIATES

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

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

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Current assets	**416,229**	340,659
Non-current assets	**30,601**	30,690
Current liabilities	**(267,054)**	(240,345)
Non-current financial liabilities	**(26,635)**	(25,600)
Other non-current liabilities	**(2,860)**	(2,873)
Net assets	**150,281**	102,531
Reconciliation to the Group's interest in the DCIHL Group:		
Proportion of the Group's ownership	**31.18%**	31.18%
The Group's share of net assets of the DCIHL Group	**46,858**	31,969
Goodwill on acquisition	**64,689**	64,689
Carrying amount of the investment	**111,547**	96,658

The above table does not include the Group's associates that are not individually material.

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

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Completed properties held for sale	**622,609**	605,884
Properties held for sale under development	**533,210**	470,088
	1,155,819	1,075,972
Properties held for sale under development		
– expected to be recovered:		
Within one year	**533,210**	470,088

As at 30 September 2017, certain completed properties held for sale and properties held for sale under development of the Group with an aggregate carrying amount of HK$333,942,000 (31 March 2017: HK$360,307,000) were pledged to secure certain banking facilities granted to the Group.

13. ACCOUNTS RECEIVABLE

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

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

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Current to 90 days	**15,053**	13,571
91 to 180 days	**787**	4,094
181 to 360 days	**15,649**	16,598
Over 360 days	**324**	323
Total	**31,813**	34,586

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Listed equity investments, at market value	**4,534**	4,329

The above equity investments as at 30 September 2017 and 31 March 2017 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$4,253,000.

15. ACCOUNTS PAYABLE

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

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Current to 90 days	**1,398**	1,221
91 to 180 days	**7**	–
181 to 360 days	**17**	39
Over 360 days	**7,643**	7,889
	9,065	9,149

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

16. SHARE CAPITAL

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Authorised:		
1,500,000,000 ordinary shares of HK$0.10 each	**150,000**	150,000
Issued and fully paid:		
977,880,400 ordinary shares of HK$0.10 each	**97,788**	97,788

16. SHARE CAPITAL (continued)

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

	Number of shares in issue	**Issued capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 April 2017 and 30 September 2017	**977,880,400**	**97,788**	**243,040**	**340,828**

17. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 30 September 2016, the Company and Deson Ventures Limited ("**DVL**"), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of Yew Siang Limited ("**Yew Siang**"), a subsidiary of DVL. Yew Siang and its subsidiary are mainly engaged in property investment in the PRC. As at 30 September 2017, one of the default terms in the sale and purchase agreement had not been fulfilled, Yew Siang and its subsidiary were classified as a disposal group held for sale.

As at 30 September 2017, the major classes of assets and liabilities of Yew Siang and its subsidiary classified as held for sale are as follows:

	30 Septmeber 2017 *HK$'000*	31 March 2017 *HK$'000*
Assets		
Property, plant and equipment	**26**	27
Investment properties	**136,188**	131,532
Properties held for sale	**549**	530
Prepayments, deposits and other receivables	**16,995**	13,513
Cash and cash equivalents	**952**	714
Assets classified as held for sale	**154,710**	146,316
Liabilities		
Other payables and accruals	**(3,162)**	(2,532)
Tax payable	**(38,446)**	(36,679)
Deferred tax liabilities	**(30,555)**	(29,510)
Liabilities directly associated with the assets classified as held for sale	**(72,163)**	(68,721)
Net assets directly associated with the disposal group	**82,547**	77,595

18. 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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
Within one year	**480**	379
In the second to fifth years, inclusive	**1,367**	1,468
After five years	**84**	244
	1,931	2,091

19. 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:

		2017	2016
	Notes	***HK$'000***	*HK$'000*
Management fees paid to an associate	*(i)*	**28**	–
Management fees received from a related company	*(i)*	**28**	28
Rental income received from an associate		**858**	–
Rental income received from related companies	*(ii)*	**153**	181

Notes:

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

ii. During the period, the rental income was charged to Fitness Concept Limited ("**FCL**") at HK$26,000 per month. Mr. Tjia Boen Sien is a director of and has beneficial interests in the Company and FCL while Mr. Tjia Wai Yip, William is a director of the Company and FCL.

(b) Outstanding balances with related parties:

Details of the Group's balances with its associates, non-controlling shareholders and related companies as at the end of the Reporting Period 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 and chief executive of the Company. Details of the remuneration of the directors are disclosed in note 4 to the financial statements.

The related party transactions in respect of item (a)(ii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		**Fair values**	
	30 September 2017	31 March 2017	**30 September 2017**	31 March 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial asset				
Equity investments at fair value through profit or loss	**4,534**	4,329	**4,534**	4,329
Financial liabilities				
Interest-bearing bank and other borrowings – non-current	**332,280**	305,665	**332,280**	305,665

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

Management has assessed the fair values of cash and cash equivalents, pledged deposits, accounts receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to associates and related companies, and current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

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

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

Assets measured at fair value:

As at 30 September 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Equity investments at fair value through profit or loss	**4,534**	**–**	**–**	**4,534**

As at 31 March 2017

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

As at 30 September 2017, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included non-current interest-bearing bank and other borrowings of HK$332,280,000 (31 March 2017: HK$305,665,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

21. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued had been discontinued at the beginning of the comparative period (note 8).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

On 11 January 2017, the Company, through its wholly owned subsidiary, signed a placing agreement with a placing agent, to place 200,000,000 shares of Deson Construction International Holdings Limited ("**DCIHL**") at HK$0.30 each ("**Placing**"). All such shares were successfully placed. Upon completion of the Placing, DCIHL and its subsidiaries (collectively the "**DCIHL Group**") ceased to be subsidiaries of the Group and the construction and investment in securities businesses have been discontinued from our Group's operation. The Group (after the partial disposal of the DCIHL Group) will continue to concentrate on (i) property development and investment; and (ii) trading of medical equipment and home security and automation products, and the provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market.

(i) Continuing operations

The Group's turnover for the period ended 30 September 2017 from continuing operations recorded at approximately HK$26,001,000 (period ended 30 September 2016: HK$157,983,000) which represented a significant decrease of 84% compared with corresponding period last year.

Property development and investment business

The Group's turnover for the period ended 30 September 2017 from this segment recorded at approximately HK$14,823,000 (30 September 2016: HK$143,824,000), which represented a significant decrease of 90% as compared with last period. Such significant decrease was mainly due to the sales of six-floor offices (6,235 square ("**sq**") metres) to a customer which amounted to approximately HK$110 million and a profit recognised (before taxation) of approximately HK$23 million noted in last reporting report. A majority of sales arrangement (residential area of World Expo Plaza, PRC) of this year will be taken place in early of 2018, while sales revenue will only be recognised for the year ending 2018.

Segment operating loss generated from the property development and investment business for the Reporting Period amounted to approximately HK$3,955,000 whereas operating profit amounted to approximately HK$46,298,000 was noted in the last reporting period.

On 30 September 2016, the Group entered into a sale and purchase agreement for the disposal of Yew Siang Limited (the "**Disposal**"), an indirect wholly-owned subsidiary, to an independent third party. Yew Siang Limited and its subsidiary own the Starway Parkview South Station Hotel. It is intended that the Starway Parkview South Station Hotel will be converted into and operated as service apartments. One of the default terms in the sale and purchase agreement had not been fulfilled at the date of approval of these financial statements.

The Disposal is expected to be completed in January 2018.

Trading of medical equipment and home security and automation products

The Group's turnover for the period ended 30 September 2017 from this segment recorded at approximately HK$11,178,000 (30 September 2016: HK$14,159,000), which represented a decrease of 21% as compared with last period. The drop is due to (i) the decrease in sales of home security and automation products due to the slow down of China's property market causing the decrease in demand of home security products; and (ii) the home security products installation project at Kennedy Road, Hong Kong with contract amount to approximately HK$6.0 million. The contract was completed in November 2016 and most of the revenue has already been recognised for the year ended 31 March 2017.

Segment operating loss generated from this segment for the Reporting Period amounted to approximately HK$1,011,000 whereas operating profit amounted to approximately HK$3,134,000 was noted in the last reporting period.

Earnings per share for continuing operations is approximately HK0.12 cent.

(ii) Discontinuing operations

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

In last reporting period, the profit attributable from the DCIHL Group is HK$48,818,000 (before deducting minority interest). Upon the Placing, by using equity method, the Group shared approximately HK$14,889,000 profit from the DCIHL Group and such amount was reflected in the line "**Share of profits and losses of associates**".

The net profit attributable to owners of the Company for the period ended 30 September 2017 amounted to approximately HK$1,217,000 as compared with the net profit attributable to owners of the Company for the period ended 30 September 2016 amounted to approximately HK$32,605,000. The significant drop is due to:

(i) a decrease in the profit contribution from the DCIHL Group upon the Placing and that the DCIHL Group ceased to be subsidairies of the Group. The construction business and securities investment business of the DCIHL Group were classified as discontinued operation for the six months ended 30 September 2016. During the Reporting Period, the Company has reclassified the interest in the DCIHL Group as an investment in associate and accounted for by using equity method; and

(ii) a decrease in the profit contribution from property development and investment segment arising from the Group's one-off profit from the disposal of a six-storey office premises (properties held for sales) in Kaifeng City, Henan Province of the PRC in last reporting period. During this period, the majority of sales arrangement will be taken place in the early 2018, while sales revenue will be recognised for the year ending 31 March 2018.

FINANCIAL REVIEW

Turnover

For the six months ended 30 September 2017, the Group's turnover from continuing operations amounted to HK$26 million, decreased by 84% as compared to the same period last year. Such decrease was mainly contributed by a decrease in the sale of properties at the PRC.

Turnover generated from property development and investment business, trading of medical equipment and home securities and automation products as well as trading of various granite and marble products, stone slabs and products for construction market amounted to approximately HK$15 million and HK$11 million respectively, which represent a decrease of 90% and a decrease of 21% respectively as compared the same period last year.

Gross profit margin

During the six months ended 30 September 2017, the Group's gross profit margin from continuing operations was approximately 56%, up by 14% as compared to last period's 42%. This was mainly driven by the proportion of rental income in turnover from property development and investment segment is higher in this Reporting Period than same period in last year, increasing from 10% to 84%. The gross profit margin of rental income is much higher than the sales of property. As a result, overall gross profit margin is higher in this Reporting Period.

Share of profits and losses of associates

For the six months ended 30 September 2017, the Group's share of profits of associates amounted to HK$15 million, increased by 396% as compared to the same period last year. Upon the completion of the Placing of DCIHL shares, the Group only shares 31.18% of the profit of the DCIHL Group by using the equity method and reflect in this line. In the same period last year, the DCIHL Group was still subsidiaries of the Group. The DCIHL Group's result was classified as discontinued operation for the six months ended 30 September 2016 amounted to approximately HK$49 million.

Liquidity and financial resources

As at 30 September 2017, the Group had total assets of HK$2,878,622,000, which has been financed by total liabilities, shareholders' equity and non-controlling interests of HK$1,387,589,000, HK$1,490,750,000 and HK$283,000, respectively. The Group's current ratio at 30 September 2017 was 1.78 compared to 1.73 as at 31 March 2017.

The gearing ratio for the Group as at 30 September 2017 was 24% (31 March 2017: 23%). It was calculated based on the non-current liabilities of HK$481,764,000 (31 March 2017: HK$424,402,000) and long term capital (equity and non-current liabilities) of HK$1,972,797,000 (31 March 2017: HK$1,881,115,000).

Capital expenditure

Total capital expenditure for the six months ended 30 September 2017 was approximately HK$763,000, which were mainly used in the purchase of motor vehicles.

Contingent liabilities

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

Commitments

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

Charges on group assets

The Group's banking facilities are secured by:

(i) the pledge of certain of the Group's leasehold land and buildings situated in Hong Kong of HK$194,109,000 (31 March 2017: HK$141,100,000);

(ii) the pledge of certain of the Group's investment properties situated in Mainland China of HK$545,220,000 (31 March 2017: HK$526,580,000);

(iii) the pledge of certain of the Group's properties held for sale and properties held for sale under development situated in Mainland China of HK$333,942,000 (31 March 2017: HK$360,307,000); and

(iv) the pledge of the Group's deposits of HK$134,550,000 (31 March 2017: HK$182,900,000).

Treasury policies

The directors of the Company (the "**Directors**") will continue to follow a prudent policy in managing its cash balances and maintaining a strong and healthy level of liquidity to ensure that the Group is well-placed to take advantage of growth opportunities. In view of the expected development for the property development project in Kaifeng, the PRC, the Group will consider the feasibility of solutions to maintain the adequacy of its Renminbi fund to finance this project. Interest for the current bank borrowings are mainly on a floating rate basis and the bank borrowings are principally denominated in Hong Kong dollars and Renminbi. Hence, the Group has no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

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

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

PROSPECT

Property development and investment

On 9 June 2005, the Group was granted the land use rights of a development site in the Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 221,000 square ("**sq.**") metres. Up to now, construction for a total gross floor area of 190,000 sq. metres has been completed and the total sales contract sum achieved amounted to approximately RMB755 million. The remaining portions of the complex are under construction. The process is going well and it is expected that the construction will be completed by end of 2017 and will be sold starting in early 2018.

On 16 February 2012, the Group successfully won a bid for the acquisition of land use right of a residential and commercial site in the city of Kaifeng. The Directors intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 100,000 sq. metres. Up to now, construction for a gross floor area of approximately 20,000 sq. metres has been completed. It includes two commercial buildings with gross floor area of approximately 15,000 sq. metres and an animation theatre with gross floor area of approximately 5,000 sq. metres. The total sales contract sum achieved from the sales of commercial properties amounted to approximately RMB160 million. The animation theatre is named as "Qing-Ming Riverside Anime Exhibition" and is used to show the animation of the Riverside Scene at Qingming Festival ("清明上河圖") which was shown in the 2010 Shanghai Expo. It is planned to become a tourist spot at Kaifeng City. The construction of the whole project is expected to be completed by 2018.

In September 2014, the Group was granted another land use right in the city of Kaifeng, PRC, namely as Zhu Ji Lane ("珠璣巷"). The Group intended to develop a commercial street project with a total gross floor area of approximately 13,000 sq. metres. It was put in use in the 27th World Hakka Conference held in October 2014. As of now, the project has been completed. Most of the units have already been rented out during the period.

The central government continued to practice four "R"s (i.e. purchase restriction, credit restriction, price restriction and sales restriction) in its austerity measures during the first half year to enable property developers to push forward real estate destocking steadily in a bid to bring healthy development for the mainland real estate market.

As the government continues to implement categorised and city-specific control policies with respect to property market in the second half of the year, control over the property market will remain tight. Differentiation in the property market will continue. The property market in Tier 1 and Tier 2 cities will cool off and encounter adjustment, and Tier 3 and Tier 4 cities will retain a de-stocking tone with rebound in volume and prices. Market performance of lower-tier cities is expected to be relatively stable, however it is possible for the government to further tighten the control as a result of the performance of property prices. The tightening credit policies due to continued regulation over the property and financial deleveraging will become the major risk of the future property market in the PRC. The land market will moderately cool off due to credit squeeze, tightening liquidity and the increase in capital cost.

The Board remains optimistic about the property market in Mainland China and the Group will continue to place emphasis on strengthening the property development and investment business. The Group may acquire additional land to enrich the Group's land reserve, specifically in the second and third-tier cities in the PRC where the markets continue to be bullish and growth potential is consistently increasing. However, the Group has no specific investment plan in relation to any particular project currently.

Regarding the disposal of Starway Parkview South Station Hotel ("**Target Property**") in Shanghai, it is intended that the Target Property will be converted into and operated as a service apartment. The Board considers that the Disposal will bring in a strategic shareholder with a strong real estate management background which helps to improve the long term growth potential of the Target Property, which will ultimately be beneficial to the Group and shareholders as a whole. The Target Property is a mature asset. Whilst it provides a stable rental income, it does not have the growth in terms of earnings expected by the Board. The Company aspires to realise the full value of the Target Property. The Disposal enables the Group to recycle capital into future investment opportunities. The Directors are of the view that the disposal will benefit the Group by realising its investment and also strengthening its liquidity and overall financial position. On the other hand, the Group retains 30% equity interest at Yew Siang which enables the Group to continue to have a share of profit from the long term growth potential of the Target Property.

Trading of medical equipment and home security and automation products

The increasing standard of living around the globe, especially in Hong Kong and major cities in the PRC, and increasing health awareness, in particular from high-income consumers living in the urban areas, together create additional demand for medical equipment. Consequently, this segment should continue to be a worthwhile investment. In the coming year, we will expand our distribution channels and introduce a broader range of products to boost sales growth.

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

The Group will continue to adopt efficacious cost management strategies and maintain tight credit control measures to cope with challenges and to improve competitiveness within the volatile operating environment. The Directors will continue to make every effort to maximise the interests of the shareholders of the Group.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 2017, there has been no other significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investment or capital assets as at 30 September 2017.

USE OF PROCEEDS FROM THE OPEN OFFER

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

As at 30 September 2017, the net proceeds had been utilised as follows:

	Actual net proceeds	**Amount utilised up to 30 September 2017**	**Balance as at 30 September 2017**
	HK$ million	*HK$ million*	*HK$ million*
Repayment of the term loan and accrued interest	20.0	20.0	–
Injection to the e-commerce projects	36.2	36.2	–
General working capital	45.6	45.6	–
Total	101.8	101.8	–

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

HUMAN RESOURCES

As at 30 September 2017, the Group had 144 employees, 105 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the period under review decreased to approximately HK$9.2 million from approximately HK$11.8 million in the same period last year. The decrease was mainly due to (i) the decrease of share option expenses recognised during the Reporting Period from approximately HK$1.3 million in last reporting period to approximately HK$52,000 for the period; and (ii) the resignation of one of the senior management of the Kaifeng project in March 2017.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (for the six months ended 30 September 2016: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CAPITAL STRUCTURE

Details of the changes of the capital structure of the Company during the six months ended 30 September 2017 are set out in the note 16 to the condensed financial statements.

CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2017, the Company's corporate governance practices are based on the principles and the code provisions ("**Code Provisions**") as set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). The Directors consider that the Company has complied with most of the Code Provisions throughout the six months ended 30 September 2017, save for the deviation from the Code Provision A.4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Summary of deviation of the CG Code:

Code Provision A.4.1

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2017.

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

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls, risk management and financial reporting matters including the review of the interim results for the six months ended 30 September 2017, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprises three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The interim results of the Company for the six months ended 30 September 2017 have not been audited by the Company's independent auditors. The Audit Committee held a meeting on 7 November 2017. The Audit Committee has considered and reviewed the interim report and interim financial statements of the Group and given their opinion and recommendation to the Board. The Audit Committee considers that the 2017 interim report and interim financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

PUBLICATION OF FURTHER FINANCIAL INFORMATION

The interim results announcement is published on the Stock Exchange website (http://www.hkexnews.hk) and the Company's website (http://www.deson.com). The interim report for the six months ended 30 September 2017 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Stock Exchange website and the Company's website in due course.

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

Hong Kong, 7 November 2017

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