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

# ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The board of directors (the "**Board**") of Deson Development International Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 March 2018*

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| REVENUE | 4 | **190,783** | 199,683 |
| Cost of sales | | **(142,359)** | (137,650) |
| Gross profit | | **48,424** | 62,033 |
| Other income and gains | 4 | **19,479** | 32,168 |
| Fair value gain on investment properties, net | | **53,935** | 34,713 |
| Administrative expenses | | **(68,609)** | (70,564) |
| Other operating income, net | | **5,268** | 3,024 |
| Finance costs | 5 | **(3,935)** | (24,799) |
| Share of profits and losses of associates | | **8,671** | 1,616 |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | | **63,233** | 38,191 |
| Income tax expense | 6 | **(16,198)** | (35,069) |
| PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS | | **47,035** | 3,122 |
| **DISCONTINUED OPERATIONS** | | | |
| Profit for the year from discontinued operations | 8 | **–** | 174,863 |
| PROFIT FOR THE YEAR | | **47,035** | 177,985 |

* *For identification purpose only*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)**
*Year ended 31 March 2018*

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Attributable to: | | | |
| Owners of the Company | | **47,776** | 144,934 |
| Non-controlling interests | | **(741)** | 33,051 |
| | | **47,035** | 177,985 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 9 | | |
| Basic and diluted | | | |
| – For profit for the year | | **HK4.89 cents** | HK14.82 cents |
| – For profit from continuing operations | | **HK4.89 cents** | HK0.34 cent |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 March 2018*

| | 2018 | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| PROFIT FOR THE YEAR | **47,035** | 177,985 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | **135,802** | (67,145) |
| Reclassification adjustment for a foreign operation disposed of during the year | **3,281** | – |
| Share of other comprehensive income/(loss) of associates | **850** | (2,801) |
| Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods | **139,933** | (69,946) |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | |
| Surplus on revaluation of leasehold land and buildings | **13,152** | 25,034 |
| Income tax effect | **(2,610)** | (4,630) |
| Share of other comprehensive income of associates | **419** | – |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods | **10,961** | 20,404 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX | **150,894** | (49,542) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **197,929** | 128,443 |
| Attributable to: | | |
| Owners of the Company | **198,658** | 96,025 |
| Non-controlling interests | **(729)** | 32,418 |
| | **197,929** | 128,443 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 March 2018*

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **226,736** | 217,258 |
| Investment properties | | **1,031,125** | 887,841 |
| Investments in associates | | **118,352** | 98,260 |
| Available-for-sale investments | | **21,641** | 21,641 |
| Total non-current assets | | **1,397,854** | 1,225,000 |
| CURRENT ASSETS | | | |
| Due from associates | | **576** | 356 |
| Due from related companies | | **3,479** | 2,637 |
| Properties held for sale under development and properties held for sale | | **1,130,094** | 1,075,972 |
| Inventories | | **8,195** | 8,444 |
| Accounts receivable | *10* | **34,300** | 34,586 |
| Prepayments, deposits and other receivables | | **30,938** | 35,445 |
| Equity investment at fair value through profit or loss | | **4,510** | 4,329 |
| Pledged deposits | | **126,000** | 182,900 |
| Cash and cash equivalents | | **68,259** | 67,073 |
| | | **1,406,351** | 1,411,742 |
| Assets of a disposal group classified as held for sale | *13* | **–** | 146,316 |
| Total current assets | | **1,406,351** | 1,558,058 |
| CURRENT LIABILITIES | | | |
| Accounts payable | *11* | **12,253** | 9,149 |
| Other payables and accruals | | **318,778** | 254,471 |
| Due to associates | | **5,258** | 5,549 |
| Tax payable | | **36,359** | 51,075 |
| Interest-bearing bank and other borrowings | | **271,721** | 512,978 |
| | | **644,369** | 833,222 |
| Liabilities directly associated with the assets classified as held for sale | *13* | **–** | 68,721 |
| Total current liabilities | | **644,369** | 901,943 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

*31 March 2018*

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| NET CURRENT ASSETS | | **761,982** | 656,115 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **2,159,836** | 1,881,115 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | | **340,241** | 277,415 |
| Deferred tax liabilities | | **169,791** | 146,987 |
| Total non-current liabilities | | **510,032** | 424,402 |
| Net assets | | **1,649,804** | 1,456,713 |
| EQUITY | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | *12* | **97,788** | 97,788 |
| Reserves | | **1,552,625** | 1,358,805 |
| | | **1,650,413** | 1,456,593 |
| **Non-controlling interests** | | **(609)** | 120 |
| Total equity | | **1,649,804** | 1,456,713 |

# NOTES TO FINANCIAL STATEMENTS

*31 March 2018*

## 1. CORPORATE AND GROUP INFORMATION

Deson Development International Holdings Limited (the "**Company**") 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:

- property development and investment; and

- 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.

## 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 land and buildings classified as property, plant and equipment, investment properties and an equity investment at fair value through profit or loss which have been measured at fair value. In the prior year, a disposal group held for sale was stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 13. 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 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

## 2.1 BASIS OF PREPARATION (continued)

**Basis of consolidation (continued)**

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if it this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| 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 to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

None of the above amendments to HKFRSs has had a significant effect on these financial statements. Disclosure has been made in the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that ensure users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is 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 the holding of investment properties; and

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

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

Segment assets exclude investments in associates, other unallocated head office and corporate assets and assets of a disposal group classified as held for sale, as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities and liabilities directly associated with the assets classified as held for sale, as these liabilities are managed on a group basis.

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

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

**Year ended 31 March 2018**

| | **Property development and investment business** | **Others** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment revenue:** | | | |
| Sales to external customers | **164,422** | **26,361** | **190,783** |
| Other income and gains | **14,702** | **423** | **15,125** |
| | **179,124** | **26,784** | **205,908** |
| **Segment results** | | | |
| Operating profit/(loss) | **71,240** | **(9,171)** | **62,069** |
| *Reconciliation:* | | | |
| Interest income | | | **3,323** |
| Dividend income | | | **850** |
| Fair value gain on an equity investment at fair value through profit or loss | | | **181** |
| Unallocated expenses | | | **(7,926)** |
| Finance costs | | | **(3,935)** |
| Share of profits and losses of associates | | | **8,671** |
| Profit before tax from continuing operations | | | **63,233** |
| **Segment assets** | **2,415,966** | **40,990** | **2,456,956** |
| *Reconciliation:* | | | |
| Investments in associates | | | **118,352** |
| Corporate and other unallocated assets | | | **228,897** |
| Total assets | | | **2,804,205** |

## 3. OPERATING SEGMENT INFORMATION (continued)

**Year ended 31 March 2018 (continued)**

| | Property development and investment business<br>*HK$'000* | Others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| **Segment liabilities** | **901,499** | **4,506** | **906,005** |
| *Reconciliation:* | | | |
| Corporate and other unallocated liabilities | | | **248,396** |
| Total liabilities | | | **1,154,401** |
| **Other segment information:** | | | |
| Fair value gain on investment properties | **(53,935)** | **–** | **(53,935)** |
| Loss on disposal of items of property, plant and equipment | **–** | **21** | **21** |
| Impairment/(reversal of impairment) of other receivables | **(735)** | **2,127** | **1,392** |
| Reversal of provision for inventories | **–** | **(138)** | **(138)** |
| Reversal of impairment of properties held for sale | **(1,180)** | **–** | **(1,180)** |
| Depreciation | **7,983** | **2,515** | **10,498** |
| Capital expenditure* | **739** | **60** | **799** |

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

## 3. OPERATING SEGMENT INFORMATION (continued)

**Year ended 31 March 2017**

| | Property development and investment business | Others | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment revenue:** | | | |
| Sales to external customers | 168,400 | 31,283 | 199,683 |
| Other income and gains | 13,165 | 1,001 | 14,166 |
| | 181,565 | 32,284 | 213,849 |
| **Segment results** | | | |
| Operating profit | 54,969 | 1,465 | 56,434 |
| *Reconciliation:* | | | |
| Interest income | | | 17,429 |
| Dividend income | | | 43 |
| Fair value gain on an equity investment at fair value through profit or loss | | | 530 |
| Unallocated expenses | | | (13,062) |
| Finance costs | | | (24,799) |
| Share of profits and losses of associates | | | 1,616 |
| Profit before tax from continuing operations | | | 38,191 |
| **Segment assets** | 2,226,190 | 25,337 | 2,251,527 |
| *Reconciliation:* | | | |
| Investments in associates | | | 98,260 |
| Corporate and other unallocated assets | | | 286,955 |
| Assets of a disposal group classified as held for sale | | | 146,316 |
| Total assets | | | 2,783,058 |

## 3. OPERATING SEGMENT INFORMATION (continued)

**Year ended 31 March 2017 (continued)**

| | Property development and investment business | Others | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment liabilities** | 928,353 | 10,318 | 938,671 |
| *Reconciliation:* | | | |
| Liabilities directly associated with the assets classified as held for sale | | | 318,953 |
| Corporate and other unallocated liabilities | | | 68,721 |
| Total liabilities | | | 1,326,345 |
| **Other segment information:** | | | |
| Fair value gain on investment properties, net | (34,713) | – | (34,713) |
| Loss on disposal of items of property, plant and equipment | 347 | 8 | 355 |
| Impairment of other receivables | 10,096 | – | 10,096 |
| Impairment of accounts receivable | – | 651 | 651 |
| Provision for inventories | 110 | 194 | 304 |
| Reversal of impairment of properties held for sale | (12,650) | – | (12,650) |
| Depreciation | 7,260 | 1,776 | 9,036 |
| Capital expenditure* | 64 | 4,130 | 4,194 |

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

**Geographical information**

***(a) Revenue from external customers***

| | Hong Kong | | Mainland China | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| *Segment revenue:* | | | | | | |
| Sales to external customers and revenue from continuing operations | **11,378** | 14,042 | **179,405** | 185,641 | **190,783** | 199,683 |

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

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

**Geographical information (continued)**

***(b) Non-current assets***

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **144,431** | 153,581 |
| Mainland China | **1,113,430** | 951,518 |
| | **1,257,861** | 1,105,099 |

The non-current assets information above is based on the locations of the assets and excludes investments in associates and available-for-sale investments.

4. **REVENUE, OTHER INCOME AND GAINS**

Revenue from continuing operations represents income from the property development and investment; the net invoiced value of goods sold, after allowances 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:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Income from property development and investment business | **164,422** | 168,400 |
| Income from 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 | **26,361** | 31,283 |
| | **190,783** | 199,683 |
| **Other income and gains** | | |
| Bank interest income | **3,323** | 17,429 |
| Fair value gain on an equity investment at fair value through profit or loss | **181** | 530 |
| Dividend income from available-for-sale investments | **739** | – |
| Dividend income from an equity investment at fair value through profit or loss | **111** | 43 |
| Gross rental income | **14,443** | 11,540 |
| Others | **682** | 2,626 |
| | **19,479** | 32,168 |

## 5. FINANCE COSTS

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

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank and other borrowings | **46,896** | 67,222 |
| Less: Interest capitalised | **(42,961)** | (42,423) |
| | **3,935** | 24,799 |

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during the year or the Group's subsidiaries had available tax losses brought forward from previous year to offset the assessable profits generated during the year. 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.

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current – Elsewhere | | |
| Charge for the year | **13,749** | 4 |
| Overprovision in prior years | **(220)** | (2,059) |
| Withholding tax for gain on disposal of subsidiaries | **4,835** | – |
| Deferred | **14,248** | 8,137 |
| LAT in Mainland China | **(16,414)** | 28,987 |
| Total tax charge for the year from continuing operations | **16,198** | 35,069 |

## 7. DIVIDEND

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final – HK0.5 cent (2017: HK0.5 cent) per ordinary share | **4,890** | 4,890 |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 8. DISCONTINUED OPERATIONS

In the prior year, 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 held 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 the DCIHL and its subsidiaries ("**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 year ended 31 March 2017 are presented below:

| | *HK$'000* |
|---|---|
| Revenue | 917,804 |
| Cost of sales | (815,150) |
| Other income and gains | 1,181 |
| Fair value gain on investment properties | 748 |
| Administrative expenses | (30,261) |
| Other operating expenses, net | (843) |
| Finance costs | (2,955) |
| Profit from the discontinued operations | 70,524 |
| Gain on disposal of the DCIHL Group | 106,373 |
| Profit before tax from the discontinued operations | 176,897 |
| Income tax expense | (2,034) |
| Profit for the year from discontinued operations | 174,863 |

The carrying amounts of assets and liabilities of the DCIHL Group at the date of completion of the Placing are set out in note 14(b).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 977,880,400 (2017: 977,880,400) in issue during the year.

No adjustment was made to the basic earnings per share amount presented for the years ended 31 March 2018 and 31 March 2017 as the impact of share options had an anti-dilutive effect on the basic earnings per share amount on 31 March 2018 and 31 March 2017.

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation: | | |
| From continuing operations | **47,776** | 3,304 |
| From discontinued operations | **–** | 141,630 |
| Profit attributable to ordinary equity holders of the Company | **47,776** | 144,934 |

## 10. ACCOUNTS RECEIVABLE

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Accounts receivable | **35,387** | 35,673 |
| Impairment | **(1,087)** | (1,087) |
| | **34,300** | 34,586 |

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 accounts receivable balances. Accounts receivable are non-interest-bearing.

## 10. ACCOUNTS RECEIVABLE (continued)

An aging 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:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 90 days | **13,215** | 13,571 |
| 91 to 180 days | **1,244** | 4,094 |
| 181 to 360 days | **2,394** | 16,598 |
| Over 360 days | **17,447** | 323 |
| Total | **34,300** | 34,586 |

## 11. ACCOUNTS PAYABLE

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

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 90 days | **3,495** | 1,221 |
| 91 to 180 days | **25** | – |
| 181 to 360 days | **164** | 39 |
| Over 360 days | **8,569** | 7,889 |
| | **12,253** | 9,149 |

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

## 12. SHARE CAPITAL

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Authorised: | | |
| 1,500,000,000 ordinry 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 |

## 13. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In the prior year, 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 70% effective equity interest in Yew Siang Limited ("**Yew Siang**"), a subsidiary of DVL. Yew Siang and its subsidiary are mainly engaged in property investment in the Mainland China. As at 31 March 2017, one of the default terms in the sale and purchase agreement was not fulfilled, Yew Siang and its subsidiary were classified as a disposal group held for sale.

As at 31 March 2017, the major classes of assets and liabilities of Yew Siang and its subsidiary classified as held for sale are as follows:

| | *HK$'000* |
|---|---|
| *Assets* | |
| Property, plant and equipment | 27 |
| Investment properties | 131,532 |
| Properties held for sale | 530 |
| Prepayments, deposits and other receivables | 13,513 |
| Cash and cash equivalents | 714 |
| Assets classified as held for sale | 146,316 |
| *Liabilities* | |
| Other payables and accruals | (2,532) |
| Tax payable | (36,679) |
| Deferred tax liabilities | (29,510) |
| Liabilities directly associated with the assets classified as held for sale | (68,721) |
| Net assets directly associated with the disposal group | 77,595 |

During the year, the disposal of 70% effective equity interest in Yew Siang was completed on 15 January 2018. Details of the disposal of Yew Siang are disclosed in note 14(a) to the financial statement. Since then, Yew Siang and its subsidiary have become associates of the Group.

## 14. DISPOSAL OF SUBSIDIARIES

### (a) Yew Siang

As disclosed in note 13 to the financial statements, the Company and DVL entered into a sale and purchase agreement for the disposal of 70% effective equity interest in Yew Siang. Upon the completion of the disposal of Yew Siang on 15 January 2018, Yew Siang and its subsidiary have ceased to be subsidiaries of the Group and have become associates of the Group. The net assets of Yew Siang and its subsidiary at the date of disposal were as follows:

| | ***HK$'000*** |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | **27** |
| Investment properties | **146,400** |
| Properties held for sale | **563** |
| Prepayments, deposits and other receivables | **15,158** |
| Cash and cash equivalents | **654** |
| Tax payable | **(38,952)** |
| Deferred tax liabilities | **(33,018)** |
| | **90,832** |
| Exchange fluctuation reserve | **3,281** |
| Gain on disposal of subsidiaries | **6,214** |
| | **100,327** |
| Satisfied by: | |
| Cash and cash equivalents | **90,175** |
| Interests in associates | **10,152** |
| | **100,327** |

## 14. DISPOSAL OF SUBSIDIARIES (continued)

### (b) DCIHL

In the prior year, as disclosed in note 8, 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 DCIHL to independent placees. Upon the completion of the Placing on 31 March 2017, DCIHL Group ceased to be subsidiaries of the Group. The net assets of the DCIHL Group at the date of disposal on 31 March 2017 were as follows:

| | *HK$'000* |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 19,729 |
| Investment properties | 10,961 |
| Gross amount due from contract customers | 27,780 |
| Due from related companies | 5,900 |
| Accounts receivable | 129,431 |
| Prepayments, deposits and other receivables | 29,346 |
| Equity investments at fair value through profit or loss | 65,301 |
| Tax recoverable | 1,079 |
| Pledged deposits | 32,780 |
| Cash and cash equivalents | 49,042 |
| Gross amount due to contract customers | (124,840) |
| Accounts payable | (27,786) |
| Other payables and accruals | (72,295) |
| Due to a non-controlling shareholder | (1,500) |
| Due to a related company | (14) |
| Tax payable | (1,134) |
| Derivative component of convertible bonds | (8,321) |
| Interest-bearing bank borrowings | (4,455) |
| Liability component of convertible bonds | (25,600) |
| Deferred tax liabilities | (2,873) |
| Non-controlling interests | (53,575) |
| | 48,956 |
| Exchange fluctuation reserve | (998) |
| | 47,958 |
| Gain on disposal of subsidiaries | 106,373 |
| Transaction costs | 2,327 |
| | 156,658 |
| Satisfied by: | |
| Cash and cash equivalents | 60,000 |
| Investments in associates | 96,658 |
| | 156,658 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the prior year, the Group's major business segments for the year ended 31 March 2017 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.

In the prior year, 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**") and all the 200,000,000 shares of DCIHL were successfully placed. Upon completion of the Placing on 31 March 2017, DCIHL and its subsidiaries ("**DCIHL Group**") ceased to be subsidiaries of the Group and the construction and investment in securities businesses have been discontinued. The Group's major business segments during the year ended 31 March 2018 became (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.

CONTINUING OPERATIONS

The Group's turnover for the year ended 31 March 2018 from continuing operations recorded at approximately HK$190,783,000 (2017: HK$199,683,000) which represented a slight decrease of 4% compared with last year.

**Property development and investment business**

The Group's turnover for the year ended 31 March 2018 from this segment recorded at approximately HK$164,422,000 (2017: HK$168,400,000), which represented a slight decrease of 2% as compared with last year. The turnover from this segment is arising from sales of properties at the People's Republic of China (the "**PRC**") and rental income from investment properties.

(i) Sales of properties

Turnover decreased from approximately HK$142,679,000 for the year ended 31 March 2017 to approximately HK$137,972,000 for the year ended 31 March 2018 which represents a slight decrease of 3%. Sales noted in last year was from sales of carparks at Shanghai Parkview, sales of apartments at Asia Villas and the sales of six-floor offices (6,235 square ("**sq**") metres) at World Expo Plaza ("**World Expo**"), Kaifeng, the PRC to a customer. No sales were noted for Shanghai Parkview in the current year after the disposal of Shanghai Parkview in September 2016. For Asia Villas, there are only several apartments left unsold, no sales were noted in the current year.

In current year, majority of the revenue is arising from the sales of the World Expo, the PRC.

World Expo consists of:

i) three residential blocks (Gross floor area 59,300 sq. metres);

ii) two commercial office buildings (Gross floor area 13,900 sq. metres);

iii) two streets of shops (Gross floor area 2,000 sq. metres);

iv) a hotel under construction (Gross floor area 14,800 sq. metres); and

v) an animation theatre (Gross floor area 5,000 sq. metres).

The sales of the two commercial office buildings were commenced in the last reporting period. In the current year, the Group has started to recognise the sales for residential block 1 and the two streets of shops.

ii) Rental income from investment properties

Turnover increased slightly from approximately HK$25,721,000 for the year ended 31 March 2017 to approximately HK$26,450,000 for the year ended 31 March 2018 which represents a slight increase of 3%. As all of the rental income was earned from the properties located at the PRC, the strengthened average exchange rate of RenMinBi ("**RMB**") from RMB1=HKD1.15 in last reporting period to RMB1=HKD1.18 in this reporting period has caused the increase of rental income in the Group's turnover.

Segment operating profit generated from this segment for the reporting period amounted to approximately HK$71,240,000 (2017: HK$54,969,000).

In the prior year, on 30 September 2016, the Group entered into a sale and purchase agreement to dispose of 70% effective equity interest in Yew Siang Limited ("**Disposal**"), an indirect wholly-owned subsidiary, to an independent third party. Yew Siang Limited and its subsidiary own the Starway Parkview South Station Hotel. The Disposal was completed on 15 January 2018. The gain arising from the Disposal is approximately HK$6,214,000. It is intended that it will be converted into and operated as service apartments. The renovation works are in progress and it is expected to be completed in 2019. The arrangement set up with the purchaser of the Disposal enables the Group to continue to have a share of profit from the long term growth potential of this Shanghai property.

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

The Group's turnover for the year ended 31 March 2018 from this segment recorded at approximately HK$26,361,000 (2017: HK$31,283,000), which represents a decrease of 16% as compared with last year. The drop is due to (i) the decrease in sales of home security and automation products as a result of the slow down of China's property market causing the decrease in demand of home security products; (ii) the home security products installation project at Kennedy Road, Hong Kong with contract amount of approximately HK$6 million, which was completed in November 2016 and most of the revenue was recognised in the year ended 31 March 2017; and (iii) the drop in sales for trading of medical equipment to hospital for the sales to Kiang Wu Hospital, Macau with contract sum of HK$3 million in last year which did not recur in current year.

Segment operating loss incurred from this segment for the reporting period amounted to approximately HK$9,171,000 whereas operating profit amounted to approximately HK$1,465,000 was noted in last reporting period.

**Discontinued 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 investments in associates, which was accounted for by using the equity method.

In last reporting year, the profit for the year from DCIHL Group is approximately HK$174,863,000 (before deducting minority interest) in which HK$106,373,000 was arising from the gain on disposal of DCIHL's shares. Upon the Placing, by using equity method, the Group shared approximately HK$8,961,000 profit from the DCIHL Group for the year ended 31 March 2018 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 year ended 31 March 2018 amounted to approximately HK$47,776,000 as compared with the net profit attributable to owners of the Company for the year ended 31 March 2017 amounted to approximately HK$144,934,000. The significant drop is due to:

(i) there was a gain on disposal of approximately HK$106 million noted in the last reporting period upon the Placing, no such gain was noted in the current reporting period. Since 31 March 2017, the interest in the DCIHL Group is classified as an investment in associate and accounted for by using equity method; and

(ii) a decrease in the gross profit from property development and investment segment. In last reporting period, the sales was mainly arising from the Group's one-off profit from the sales of a six-storey office premises (properties held for sales) in Kaifeng City, Henan Province of the PRC. During this reporting period, the majority of sales was arising from the residential apartments in Kaifeng. The gross profit margin of sales of office premises is much higher than the sale of residential apartments. As a result, the overall profit is lower than last year.

The above drop was partly offset by:

(i) the increase in fair value gain on investment properties (before deferred tax) in the amount of approximately HK$53,935,000 (2017: HK$34,713,000). A significant increment was noted for the properties located in Haikou, Hainan Province, the PRC; and

(ii) the share of profits from associates amounting to approximately HK$8,671,000 (2017: HK$1,616,000). The significant increase was contributed by the share of profit from DCIHL Group since the Placing was completed on 31 March 2017.

Earnings per share for the year ended 31 March 2018 is approximately HK4.89 cents.

## FINANCIAL REVIEW

### Turnover

For the year ended 31 March 2018, the Group's turnover from continuing operations amounted to approximately HK$191 million, decreased by 4% as compared to last year. The decrease was because of the drop in sales of properties in the PRC and the decrease of project income from trading of home security products.

Turnover generated from property development and investment business and 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$165 million and HK$26 million, respectively, which represent a decrease of 2% and decrease of 16%, respectively as compared to last reporting period.

### Gross profit margin

During the year ended 31 March 2018, the Group's gross profit margin from the continuing operations was approximately 25%, decreased by 6 percentage points as compared to last year's 31%. The decrease is mainly driven by sales of commercial area proportion in turnover from property development and investment segment is higher in last year where the gross profit margin of sales of commercial area is much higher than the sales of residential area. As a result, the overall gross profit margin is lower than last year.

### Share of profits and losses of associates

For the year ended 31 March 2018, the Group's share of profits of associates amounted to approximately HK$9 million, increased by 437% as compared to last reporting period. 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 is reflected in this line. In last reporting period, the DCIHL Group was still subsidiaries of the Group.

### Liquidity and financial resources

As at 31 March 2018, the Group had total assets of approximately HK$2,804,205,000, which was financed by total liabilities, shareholders' equity and non-controlling interests of HK$1,154,401,000, HK$1,650,413,000 and debit balance of HK$609,000, respectively. The Group's current ratio at 31 March 2018 was 2.18 compared to 1.73 at 31 March 2017.

As at 31 March 2018, the gearing ratio for the Group is 24% (31 March 2017: 23%). It was calculated based on the non-current liabilities of HK$510,032,000 (31 March 2017: HK$424,402,000) and long term capital (equity and non-current liabilities) of HK$2,159,836,000 (31 March 2017: HK$1,881,115,000).

**Capital expenditure**

Total capital expenditure for the year ended 31 March 2018 was approximately HK$799,000, and was mainly used in the purchase of motor vehicles and office equipment.

**Contingent liabilities**

At the end of the reporting date, the Group had no significant contingent liabilities.

**Commitments**

At the end of the reporting date, the Group had no significant capital commitments.

**Charges on group assets**

Assets with carrying value of HK$1,159,908,000 were pledged as securities for the Group's bank facilities.

**Treasury policies**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

**Exchange risk exposure**

The Group mainly exposes to the RMB 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 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 Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 221,000 sq. metres. The name of this project is "**Century Place, Kaifeng**". Up to now, the construction of a 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 part of the land (Section G) is under construction, and it is expected the construction will be completed by early of 2019 and the pre-sale will start in the fourth quarter of 2018.

The unsold area of Century Place, Kaifeng mainly includes:

| | **CURRENT USE** | **AREA**<br>(approximately sq. metres) |
|---|---|---|
| Section A | Investment properties – Shops (leased out) | 23,000 |
| Section C | Properties held for sales – Villas | 6,000 |
| Section F | Properties held for sales – Shops | 11,000 |
| Section G | Properties held for sales – Villas | 31,000 |

The Group plans to sell Section C when Section G is lauched to the market. It is because these two areas are adjacent to each other and we believe the synergy effect can cause a higher return to the Group.

On 16 February 2012, the Group has successfully won a bid for the acquisition of land use right of a residential and commercial site in the city of Kaifeng. The name of this project is "**World Expo, Kaifeng**". The Directors intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 95,000 sq. metres. Up to now, gross floor area of 43,000 sq. metres was completed. It includes (i) two commercial buildings with gross floor area of 14,000 sq. metres; (ii) an animation theatre with gross floor area of around 5,000 sq. metres; (iii) one residential building with gross floor area of 22,000 sq. metres; and (iv) 25 street shops with gross floor area of 2,000 sq. metres. The total sales contract sum achieved from the sales amounted to approximately RMB280 million. It is expected that the construction of the whole project will be completed by 2019. The parts under construction include two residential buildings (gross floor areas approximately 37,000 sq. metres) and a hotel (gross floor area approximately 15,000 sq. metres). The animation theatre is named "**Qing-Ming Riverside Anime Exhibition**" and was used to show the animation of 清明上河圖 which was shown in 2010 Shanghai Expo. During the reporting period, the Board decides to terminate the animation business and is seeking for potential buyer for the animation theatre together with the remaining properties at the World Expo, Kaifeng.

In September 2014, The Group was granted another land use right in city of Kaifeng, the PRC. The name of the project is **Zhu Ji Lane ("珠璣巷")**. The Directors have developed a commercial street project with a total gross floor area of approximately 13,000 sq. metres. It was put in use during 27th World Hakka Conference which was held in October 2014. As of now, the project has been completed. The Group are seeking potential buyer for the whole properties.

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 real estate market in Mainland China. As the Mainland China 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. With its good experience in the property market of the PRC, the Group may acquire additional land to enrich the Group's land reserve, specifically in the Guangdong – Hong Kong – Macao Greater Bay Area which is adjacent to Hong Kong. However, the Group has no specific investment plan in relation to any particular project currently.

Regarding the disposal of Starway Parkview South Station Hotel ("**Shanghai Parkview**"), it is intended that the Shanghai Parkview 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 Shanghai Parkview, which will ultimately be beneficial to the Group and shareholders as a whole. The Shanghai Parkview 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 Group aspires to realise the full value of the Shanghai Parkview. This disposal enables the Group to recycle capital into future investment opportunities. The Directors are of the view that this 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 Shanghai Parkview.

*Proposed disposal of Hainan's property*

Capitalised terms used herein this section "**Proposed disposal of Hainan's property**" shall have the same meanings as those defined in the announcement of the Company dated 6 May 2018.

On 5 May 2018, the Company, the Vendor (being an indirect wholly-owned subsidiary of the Company), the Purchaser and the Property Holder entered into the Framework Agreement in relation to the Proposed Disposals and the Proposed Joint Venture. The terms and conditions of the Proposed Disposals and the Proposed Joint Venture are subject to further negotiations between the parties and the execution of definitive and binding agreement(s) by the relevant parties.

Pursuant to the Framework Agreement, in relation to the Proposed Disposal 1, the Vendor intends to dispose of and the Purchaser intends to acquire the Sale Shares, representing 72% of the total issued share capital of the Target Company, free from any encumbrances. The Target Company is a company established in the PRC, which owns three buildings consisting of 31 shops in Haikou City, Hainan Province, the PRC. The consideration of the Proposed Disposal 1 is expected to be approximately RMB75.0 million (equivalent to approximately HK$90.0 million) and will be payable to the Vendor in cash by stages according to the formal binding agreement to be entered into upon completion of relevant due diligence by the Purchaser.

In addition, pursuant to the Framework Agreement, the Company will procure one of its wholly-owned subsidiaries established in Hong Kong to set up a WFOE in the PRC with a total issued registered capital of RMB6.0 million (equivalent to approximately HK$7.2 million) to participate in the Proposed Joint Venture to form a JV Company with the Purchaser (or its nominees) for the purpose of developing the business centre in Hainan Province, the PRC. The JV Company will be owned beneficially as to 28% by the Group and 72% by the Purchaser (or its nominees). The proposed total investment will be RMB180.0 million (equivalent to approximately HK$216.1 million). The JV Company will then acquire Asian Villas from the Property Holder for a total consideration of RMB180.0 million (equivalent to approximately HK$216.1 million) pursuant to the Proposed Disposal 2. In this regard, in consideration of the Group agreeing to grant to the Purchaser the Exclusivity Period, a Deposit of RMB20.0 million (equivalent to approximately HK$24.0 million) has been paid by the Purchaser to the Property Holder upon signing of the Framework Agreement.

The parties to the Framework Agreement shall enter into the formal binding agreements upon the completion of the relevant due diligence on the Target Company by the Purchaser.

The Board considers that the Proposed Disposals and the Proposed Joint Venture will bring in a strategic partner in the PRC which will help to broaden the business horizon and improve the long term growth potential of Asian Villas and the other developments in the Hainan Province in the PRC, which will be beneficial to the Group and its shareholders as a whole. The Group and the purchaser intend to develop the Asian Villas to an international centre for child care and health together with associated commercial projects.

During the reporting date, the purchaser is performing due diligence works. The transaction is expected to be completed by end of 2018.

In anticipation of the uncertain and challenging economic environment and volatility in the market ahead, the Group will continue to adopt a cautious and proactive approach in managing its core investments and to look for sound and stable investment opportunities to produce sustainable returns for our shareholders.

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

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

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

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

The Group also commenced engaging in click-and-mortar retail business since 2015. With the brick-and motor store and online stores, customers can get the best of both worlds. In view of the trend of the world, shoppers are increasingly buying things they need online because it offers certain convenience — from delivering your order right to your door to broad selection and low prices — that brick-and-mortar stores can't.

On the other hand, we will also expand the retail and wholesales business to import/export business for trading of Fast Moving Consumer Goods ("**FMCG**"). FMCG are products that sell quickly at relatively low cost – items such as maternal and child products, food, household items and health care products. FMCG have short shelf lives, so, while profit margin on individual FMCG sales is low, the volume of sales makes up for it. The online customers for buying groceries and other consumable products is increasing as the Group improve the efficiency of delivery logistics, which shorten delivery times. The Group will try to source the FMCG around the world and import to Mainland China.

## 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 31 March 2018, the net proceeds had been utilised as follows:

| | Actual net proceeds<br>*HK$ million* | Amount utilised up to 31 March 2018<br>*HK$ million* | Balance as at 31 March 2018<br>*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 31 March 2018, the Group had 138 employees, 101 of whom were based in the PRC and the remaining employees were based in Hong Kong. The total employee benefits expenses (including discontinued operations) including directors' emoluments for the year under review amounting to approximately HK$24 million as compared to HK$28 million in last year, the decrease was mainly due to decrease in expenses on share options granted to certain directors and employees of the Group in 2015 which were exercisable from April 2015 to April 2018.

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

## PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2018.

## CAPITAL STRUCTURE

Details of the changes of the capital structure of the Company during the year ended 31 March 2018 are set out in note 12 to this results announcement.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

## CONTINUING CONNECTED TRANSACTIONS

On 30 May 2014, the Group entered into a tenancy agreement with Fitness Concept Limited, a company wholly-owned by Mr. Tjia Boen Sien ("**Mr. Tjia**"), the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of a property of the Group in Hong Kong. The tenancy agreement was contracted for three years commencing 1 April 2014, and the monthly rent payable was HK$25,500. This tenancy agreement was renewed ("**Revised Tenancy Agreement**") on 15 April 2017 and contracted for three years commencing 1 April 2017, and the monthly rent payable is HK$25,500. The rental income earned during the year ended 31 March 2018 from this tenancy agreement was approximately HK$306,000.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 42.81% equity interest in the Company at the time entering into the Revised Tenancy Agreement, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules, the transactions therefore constitute connected transactions of the Company. As each of the applicable percentage ratios of the transactions was less than 5% and the total considerations involved were less than HK$3,000,000, pursuant to Rule 14A.33 of the Listing Rules, the transactions were exempted from the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

## CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with most of the code provisions ("**Code Provisions**") as set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Listing Rules 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 are not appointed for a specific term. However, all independent non-executive directors are subject to the retirement and rotation once every three years in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2018. 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.

## REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this preliminary results announcement have been agreed by the Company's auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY, in this respect did not constitute an assurance engagement 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 consequently no assurance has been expressed by EY on the preliminary results announcement.

## AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls, risk management and financial reporting matters including the review of the annual results for the year ended 31 March 2018, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprises of three independent non-executive directors of the Company, 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 annual results of the Company for the year ended 31 March 2018 have been reviewed by the audit committee members who have provided advice and comment thereon.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL

Except for the disclosure in note 14 to this results announcement, the Group did not have any other significant investment, material acquisition or disposal during the year.

## ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**AGM**") will be held on Monday, 20 August 2018. A notice convening the AGM will be published and despatched to the Company's shareholders in the manner required by the Listing Rules in due course.

## CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from 15 August 2018 to 20 August 2018, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 14 August 2018.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from 27 August 2018 to 29 August 2018, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24 August 2018. Final dividend is payable on 14 September, 2018 to shareholders of record on 29 August 2018.

**DIVIDEND**

No interim dividend was paid during the year (2017: Nil) and the Directors recommend the payment of a final dividend of HK0.5 cent (2017: HK0.5 cent) per share in respect of the year.

**PUBLICATION OF FURTHER FINANCIAL INFORMATION**

The annual results announcement is published on the Stock Exchange website (http://www.hkex.com.hk) and the Company's website (http://www.deson.com). The annual report for the year ended 31 March 2018 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, 21 June 2018

*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.*