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

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

The board of directors (the “**Board**”) of Deson Development International Holdings Limited (the “**Company**”) hereby announce the unaudited interim consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2023 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 September 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 September 2023

| | <i>Notes</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|--------------|--------------------------------|--------------------------------|
| REVENUE | 3 | 33,887 | 60,384 |
| Cost of sales | | <u>(13,251)</u> | <u>(30,869)</u> |
| Gross profit | | 20,636 | 29,515 |
| Other income and gains | 3 | 39,257 | 6,749 |
| Administrative expenses | | (36,019) | (34,021) |
| Other operating expenses, net | | (2,863) | (202) |
| Fair value loss on equity investments at fair value through profit or loss | | (72,393) | (65,578) |
| Gain on disposal of a subsidiary | | 31,036 | — |
| Gain on disposal of investment properties | | 41,731 | — |
| Finance costs | 5 | (11,402) | (12,226) |
| Share of profits and losses of associates, net | | <u>(212)</u> | <u>384</u> |
| PROFIT/(LOSS) BEFORE TAX | 4 | 9,771 | (75,379) |
| Income tax (expenses)/credit | 6 | <u>(26,584)</u> | <u>5,483</u> |
| LOSS FOR THE PERIOD | | <u>(16,813)</u> | <u>(69,896)</u> |

* *For identification purposes only*

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

For the six months ended 30 September 2023

| | <i>Notes</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------|--------------|---------------------------------------|-------------------------|
| Attributable to: | | | |
| Owners of the Company | | (16,807) | (69,317) |
| Non-controlling interests | | (6) | (579) |
| | | <u>(16,813)</u> | <u>(69,896)</u> |

**LOSS PER SHARE ATTRIBUTABLE TO
ORDINARY EQUITY HOLDERS OF THE
COMPANY**

| | | | |
|-------------------|---|------------------------------|------------------------------|
| Basic and diluted | 8 | <u>HK(1.15) cents</u> | <u>HK(4.73) cents</u> |
|-------------------|---|------------------------------|------------------------------|

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| LOSS FOR THE PERIOD | <u>(16,813)</u> | <u>(69,896)</u> |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | (53,392) | (148,868) |
| Share of other comprehensive (loss)/income of associates, net | (14) | 8 |
| Reclassification of cumulative exchange fluctuation reserve of a foreign operation disposed of during the period | <u>(594)</u> | <u>—</u> |
| Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods | <u>(54,000)</u> | <u>(148,860)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | <u>(70,813)</u> | <u>(218,756)</u> |
| Attributable to: | | |
| Owners of the Company | (70,830) | (217,911) |
| Non-controlling interests | <u>17</u> | <u>(845)</u> |
| | <u>(70,813)</u> | <u>(218,756)</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

| | 30 September 2023 | 31 March 2023 |
|---|------------------------------|------------------------------|
| | <i>Notes</i> | <i>HK\$'000</i> |
| | | <i>HK\$'000</i> (Audited) |
| NON-CURRENT ASSETS | | |
| Goodwill | | — |
| Property, plant and equipment | | 282,463 |
| Investment properties | 9 | 684,114 |
| Investments in associates | | 4,736 |
| Equity investments at fair value through profit or loss | 10 | 157,463 |
| Other receivables | 11 | — |
| Total non-current assets | | <u>1,128,776</u> |
| CURRENT ASSETS | | |
| Due from associates | | 2,532 |
| Properties held for sale under development and properties held for sale | 12 | 702,073 |
| Inventories | | 2,883 |
| Accounts receivable | 13 | 14,048 |
| Prepayments, deposits and other receivables | | 26,943 |
| Tax recoverable | | 24,940 |
| Pledged deposits | | 4,000 |
| Cash and cash equivalents | | 24,408 |
| | | <u>773,933</u> |
| Assets of a disposal group classified as held for sale | 14 | 332,177 |
| Total current assets | | <u>1,134,004</u> |
| CURRENT LIABILITIES | | |
| Accounts payable | 15 | 5,062 |
| Other payables and accruals | | 95,697 |
| Due to related companies | | 6,996 |
| Tax payable | | 27,794 |
| Bonds payable | | — |
| Interest-bearing bank and other borrowings | | 222,199 |
| Loan from a related party | | — |
| Lease liabilities | | 326 |
| | | <u>422,938</u> |
| Liabilities directly associated with the assets classified as held for sale | 14 | 57,748 |
| Total current liabilities | | <u>415,822</u> |
| NET CURRENT ASSETS | | <u>718,182</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,846,958</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2023

| | 30 September 2023 | 31 March 2023 |
|---|------------------------------|------------------------------|
| | <i>Notes</i> HK\$'000 | <i>HK\$'000</i> (Audited) |
| NON-CURRENT LIABILITIES | | |
| Bonds payable | — | 33,000 |
| Interest-bearing bank and other borrowings | 83,460 | 169,970 |
| Loan from a related party | 26,750 | 51,300 |
| Deferred tax liabilities | 113,140 | 124,762 |
| Lease liabilities | 505 | 675 |
| | <hr/> | <hr/> |
| Total non-current liabilities | 223,855 | 379,707 |
| | <hr/> | <hr/> |
| Net assets | 1,396,438 | 1,467,251 |
| | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | |
| Equity attributable to owners of the Company | | |
| Issued capital | 16 146,682 | 146,682 |
| Reserves | 1,260,214 | 1,331,044 |
| | <hr/> | <hr/> |
| Non-controlling interests | 1,406,896 | 1,477,726 |
| | (10,458) | (10,475) |
| | <hr/> | <hr/> |
| Total equity | 1,396,438 | 1,467,251 |
| | <hr/> <hr/> | <hr/> <hr/> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interests | Total equity |
|--|---------------------------------------|-----------------------|---------------------|----------------|------------------------------|-----------------|----------------------------|------------------------------|------------------|------------------|---------------------------|------------------|
| | Issued capital | Share premium account | Contributed surplus | Other reserve | Property revaluation reserve | Capital reserve | Capital redemption reserve | Exchange fluctuation reserve | Retained profits | Total | | |
| | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> |
| At 1 April 2023 (audited) | 146,682 | 240,853* | 15,262* | 23,061* | 122,672* | (9,240)* | 14,457* | (35,254)* | 959,233* | 1,477,726 | (10,475) | 1,467,251 |
| Loss for the period | — | — | — | — | — | — | — | — | (16,807) | (16,807) | (6) | (16,813) |
| Other comprehensive loss for the period: | | | | | | | | | | | | |
| Share of other comprehensive loss of associates | — | — | — | — | — | — | — | (14) | — | (14) | — | (14) |
| Exchange differences on translation of foreign operations | — | — | — | — | — | — | — | (53,415) | — | (53,415) | 23 | (53,392) |
| Reclassification of cumulative exchange fluctuation reserve of a foreign operation disposed of during the period | — | — | — | — | — | — | — | (594) | — | (594) | — | (594) |
| Total comprehensive loss for the period | — | — | — | — | — | — | — | (54,023) | (16,807) | (70,830) | 17 | (70,813) |
| Release of revaluation reserve | — | — | — | — | (2,815) | — | — | — | 2,815 | — | — | — |
| At 30 September 2023 | <u>146,682</u> | <u>240,853*</u> | <u>15,262*</u> | <u>23,061*</u> | <u>119,857*</u> | <u>(9,240)*</u> | <u>14,457*</u> | <u>(89,277)*</u> | <u>945,241*</u> | <u>1,406,896</u> | <u>(10,458)</u> | <u>1,396,438</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2023

| | Attributable to owners of the Company | | | | | | | | | | | Non-controlling interests | Total equity |
|---|---------------------------------------|-----------------------|---------------------|---------------|------------------------------|-----------------|----------------------------|------------------------------|----------------------|------------------|------------------|---------------------------|------------------|
| | Issued capital | Share premium account | Contributed surplus | Other reserve | Property revaluation reserve | Capital reserve | Capital redemption reserve | Exchange fluctuation reserve | Share option reserve | Retained profits | Total | | |
| | 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 2022 (audited) | 146,682 | 240,853 | 15,262 | 23,061 | 124,603 | (9,240) | 14,457 | 77,341 | 925 | 1,043,766 | 1,677,710 | (5,606) | 1,672,104 |
| Loss for the period | — | — | — | — | — | — | — | — | — | (69,317) | (69,317) | (579) | (69,896) |
| Other comprehensive income/(loss) for the period: | | | | | | | | | | | | | |
| Share of other comprehensive income of associates | — | — | — | — | — | — | — | 8 | — | — | 8 | — | 8 |
| Exchange differences on translation of foreign operations | — | — | — | — | — | — | — | (148,602) | — | — | (148,602) | (266) | (148,868) |
| Total comprehensive loss for the period | — | — | — | — | — | — | — | (148,594) | — | (69,317) | (217,911) | (845) | (218,756) |
| Contribution from non-controlling interests | — | — | — | — | — | — | — | — | — | — | — | 417 | 417 |
| Release of revaluation reserve | — | — | — | — | (2,754) | — | — | — | — | 2,754 | — | — | — |
| At 30 September 2022 | <u>146,682</u> | <u>240,853</u> | <u>15,262</u> | <u>23,061</u> | <u>121,849</u> | <u>(9,240)</u> | <u>14,457</u> | <u>(71,253)</u> | <u>925</u> | <u>977,203</u> | <u>1,459,799</u> | <u>(6,034)</u> | <u>1,453,765</u> |

* These reserve accounts comprise the consolidated reserves of HK\$1,260,214,000 (31 March 2023: HK\$1,331,044,000) in the interim 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments which have been measured at fair value. Disposal group held for sale is stated at the lower of their carrying amount and fair value less cost of sale. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2023.

The accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2023, except for the standards, amendments and interpretations to the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA applicable to the annual period beginning on 1 April 2023 as described below.

The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 April 2023:

| | |
|--|---|
| HKFRS 17 | Insurance Contracts |
| Amendments to HKFRS 17 | Insurance Contracts |
| Amendment to HKFRS 17 | Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform — Pillar Two Model Rules |

The application of the amendments to HKFRSs in the current period had no material impact on the Group’s financial position and performance for the current and prior periods and the disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective, in these condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (six months ended 30 September 2022: three) 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;

- (b) the trading business segment is engaged in the trading of medical equipment and home security and automation products; and
- (c) the “others” segment comprises, principally, the operation of a hotel.

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/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that bank interest income, dividend income, fair value changes on equity investments at fair value through profit or loss, finance costs, share of profits and losses of associates as well as unallocated head office and corporate expenses are excluded from such measurement.

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

Six months ended 30 September 2023

| | Property development and investment business <i>HK\$'000</i> | Trading business <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|---------------------------|--------------------------|
| Segment revenue (note 3) | | | | |
| Sales to external customers | 12,481 | 14,007 | 7,399 | 33,887 |
| Other income and gains | 5,074 | 115 | 234 | 5,423 |
| | <u>17,555</u> | <u>14,122</u> | <u>7,633</u> | <u>39,310</u> |
| Segment results | 67,048 | (251) | (1,404) | 65,393 |
| <i>Reconciliation:</i> | | | | |
| Bank interest income | | | | 111 |
| Dividend income from an equity investment at fair value through profit or loss | | | | 33,723 |
| Fair value loss on equity investments at fair value through profit or loss, net | | | | (72,393) |
| Finance costs | | | | (11,402) |
| Share of profits and losses of associates, net | | | | (212) |
| Unallocated expenses | | | | (5,449) |
| Profit before tax | | | | <u>9,771</u> |
| Other segment information: | | | | |
| Reversal of provision for inventories | — | (2) | — | (2) |
| Depreciation of property, plant and equipment | 3,759 | 236 | 2,152 | 6,147 |
| Capital expenditure* | 7 | 54 | — | 61 |

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

Six months ended 30 September 2022

| | Property development and investment business <i>HK\$'000</i> | Trading business <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|---------------------------|--------------------------|
| Segment revenue (note 3) | | | | |
| Sales to external customers | 23,878 | 32,176 | 4,330 | 60,384 |
| Other income and gains | <u>4,955</u> | <u>223</u> | <u>112</u> | <u>5,290</u> |
| | 28,833 | 32,399 | 4,442 | <u>65,674</u> |
| Segment results | 4,793 | 4,055 | (2,558) | 6,290 |
| <i>Reconciliation:</i> | | | | |
| Bank interest income | | | | 109 |
| Dividend income from an equity investment at fair value through profit or loss | | | | 1,350 |
| Fair value loss on equity investments at fair value through profit or loss, net | | | | (65,578) |
| Finance costs | | | | (12,226) |
| Share of profits and losses of associates, net | | | | 384 |
| Unallocated expenses | | | | <u>(5,708)</u> |
| Loss before tax | | | | <u>(75,379)</u> |
| Other segment information: | | | | |
| Reversal of provision for inventories | — | (99) | — | (99) |
| Depreciation of property, plant and equipment | 3,675 | 375 | 2,387 | 6,437 |
| Capital expenditure* | <u>13</u> | <u>26</u> | <u>29</u> | <u>68</u> |

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

Geographical information

(a) Revenue from external customers

| | Hong Kong | | Mainland China | | Consolidated | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Segment revenue: | | | | | | |
| Sales to external customers | <u>11,398</u> | <u>29,316</u> | <u>22,489</u> | <u>31,068</u> | <u>33,887</u> | <u>60,384</u> |

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

Information about a major customer

During the period, revenue of approximately HK\$9,057,000 (2022: HK\$9,458,000) was derived from rental income to a single customer of the property development and investment business segment.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2023 | 2022 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue from contracts with customers: | | |
| Income from property development and investment business | 4,249 | 13,251 |
| Income from trading of medical equipment and home security and automation products | 14,007 | 32,176 |
| Hotel operations | <u>7,399</u> | <u>4,330</u> |
| | 25,655 | 49,757 |
| Revenue from other sources: | | |
| Gross rental income from investment properties | <u>8,232</u> | <u>10,627</u> |
| | <u>33,887</u> | <u>60,384</u> |

(i) **Disaggregated revenue information**

For the six months ended 30 September 2023

| | Property development and investment business <i>HK\$'000</i> | Trading business <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|---------------------------|--------------------------|
| Geographical markets | | | | |
| Hong Kong | — | 11,398 | — | 11,398 |
| Mainland China | 4,249 | 2,609 | 7,399 | 14,257 |
| Total revenue from contracts with customers recognised at a point in time | 4,249 | 14,007 | 7,399 | 25,655 |

For the six months ended 30 September 2022

| | Property development and investment business <i>HK\$'000</i> | Trading business <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|---------------------------|--------------------------|
| Geographical markets | | | | |
| Hong Kong | — | 29,316 | — | 29,316 |
| Mainland China | 13,251 | 2,860 | 4,330 | 20,441 |
| Total revenue from contracts with customers recognised at a point in time | 13,251 | 32,176 | 4,330 | 49,757 |

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the condensed consolidated financial statements because all the remaining performance obligations in relation to the income from property development and investment business are parts of contracts that have an original expected duration of one year or less.

Sale of goods

The performance obligation is satisfied upon delivery of the products and payment is generally due ranging from 30 to 90 days from delivery.

Hotel operations

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services.

The performance obligation of food and beverage operations of the hotel is satisfied when the control of the food and beverage products is transferred, being at the point when the customer purchases the food and beverage items at the food and beverage operations. Payment of the transaction is due immediately at the point when the customer purchases the food and beverage items.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the condensed consolidated financial statements because all the remaining performance obligations in relation to the income from hotel operations are a part of contracts that have an original expected duration of one year or less.

An analysis of other income and gains is as follows:

| | 2023 | 2022 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Other income and gains | | |
| Bank interest income | 111 | 109 |
| Dividend income from an equity investment at fair value through profit or loss | 33,723 | 1,350 |
| Gross rental income from property, plant and equipment | 3,001 | 3,297 |
| Government grants* | — | 374 |
| Imputed interest income | 1,308 | — |
| Others | 1,114 | 1,619 |
| | 39,257 | 6,749 |

* The government grants were granted under the Employment Support Scheme of the Government of Hong Kong Special Administrative Region to retain employment and combat COVID-19 in last period. As at the end of the Reporting Period, there were no unfulfilled conditions or contingencies relating to these grants.

4. PROFIT/(LOSS) BEFORE TAX

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Cost of properties sold | 1,599 | 5,155 |
| Cost of inventories sold and services provided | 11,652 | 25,714 |
| Reversal of provision for inventories, included in cost of inventories sold and services provided above | (2) | (99) |
| Depreciation of property, plant and equipment | 6,147 | 6,437 |
| Employee benefit expense (including directors' remuneration): | | |
| Wages, salaries and allowances | 16,924 | 19,014 |
| Pension schemes contributions* | 342 | 364 |
| Less: Amount capitalised | (811) | (816) |
| | <u>16,455</u> | <u>18,562</u> |
| Directors' remuneration: | | |
| Fees | 460 | 360 |
| Salaries and allowances | 5,515 | 5,952 |
| Pension schemes contributions | 54 | 54 |
| | <u>6,029</u> | <u>6,366</u> |
| Loss on disposal of items of property, plant and equipment [^] | — | 3 |
| Impairment of accounts receivable [^] | 775 | 11 |
| Impairment of other receivables [^] | 975 | 95 |
| Foreign exchange differences, net [^] | 1,113 | 93 |
| Gain on disposal of a subsidiary | (31,036) | — |
| Gain on disposal of investment properties | (41,731) | — |
| | <u><u>(41,731)</u></u> | <u><u>—</u></u> |

* At 30 September 2023, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2023: Nil).

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Interest on: | | |
| Bank loans and other borrowings | 12,688 | 17,899 |
| Bonds payable | <u>1,354</u> | <u>581</u> |
| Total finance costs | 14,042 | 18,480 |
| Less: Interest capitalised | <u>(2,640)</u> | <u>(6,254)</u> |
| | <u><u>11,402</u></u> | <u><u>12,226</u></u> |

6. INCOME TAX

No provision of Hong Kong profits tax was made during six months ended 30 September 2023 and 2022 as the Group's subsidiaries do not generate any assessable profits arising in Hong Kong during that period and the Group's subsidiaries have available tax losses brought forward from prior years to offset the assessable profits generated during the period.

Taxes on profits assessable elsewhere had 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 expenditure, including amortisation of land use rights, borrowing costs and all property development expenditures.

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Current — Hong Kong | | |
| Over provision in prior year | (65) | — |
| Current — Mainland China | | |
| Charge for the period | 33,905 | — |
| Current — Elsewhere | | |
| Charge for the period | 333 | — |
| LAT in Mainland China | — | 580 |
| Deferred | <u>(7,589)</u> | <u>(6,063)</u> |
| Total tax charge/(credit) for the period | <u><u>26,584</u></u> | <u><u>(5,483)</u></u> |

7. DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,466,820,600 (30 September 2022: 1,466,820,600) in issue during the period.

The calculation of the basic and diluted loss per share amounts attributable to the ordinary equity holders of the Company is based on the following data:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss | | |
| Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation | <u>(16,807)</u> | <u>(69,317)</u> |
| | 2023 | 2022 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation | 1,466,820,600 | 1,466,820,600 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Share options | <u>—</u> | <u>—</u> * |
| | <u>1,466,820,600</u> | <u>1,466,820,600</u> |

* No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2022 in respect of a dilution as the impact of share options outstanding during the period had no dilutive effect on the basic loss per share amounts presented.

9. INVESTMENT PROPERTIES

| | 30 September 2023 <i>HK\$'000</i> | 31 March 2023 <i>HK\$'000</i> |
|--|---|-------------------------------------|
| Carrying amount at beginning of period/year | 684,114 | 1,011,060 |
| Net gain from fair value adjustment | — | 46,284 |
| Assets included in a disposal group (<i>note 14</i>) | — | (299,250) |
| Exchange realignment | <u>(42,007)</u> | <u>(73,980)</u> |
| Carrying amount at end of period/year | <u>642,107</u> | <u>684,114</u> |

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

As at 30 September 2023, certain investment properties of the Group with an aggregate carrying amount of HK\$457,960,000 (31 March 2023: HK\$487,920,000) were pledged to secure certain banking facilities granted to the Group.

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 September 2023 HK\$'000 | 31 March 2023 HK\$'000 |
|---|----------------------------------|------------------------------|
| Equity investments at fair value through profit or loss | | |
| Unlisted equity investments, at fair value | | |
| Century Rosy Limited | 9,695 | 9,695 |
| Deson Development International Holdings Investment Limited ("DDIHIL") | 20,248 | 109,162 |
| Excel Castle International Limited | 35,633 | 34,633 |
| Pamfleet Shanghai Real Estate Fund II, L.P. | 4,739 | 3,973 |
| | <u>70,315</u> | <u>157,463</u> |

The above equity investments were irrevocably designated at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

During the six months ended 30 September 2023, the Group received dividend in the amount of HK\$33,723,000 (six months ended 30 September 2022: HK\$1,350,000) from DDIHIL.

11. OTHER RECEIVABLES

On 20 October 2022, Honour Advance Limited ("**Honour Advance**"), a wholly-owned subsidiary of the Company, and Fanning Properties Limited ("**Fanning Properties**"), an independent third party entered into a letter of intent ("**Letter of Intent**") with Haikou Longhua City Investment Holding Co., Ltd.* (海口市龍華區城市投資控股有限公司), in relation to a proposed disposal of their entire interests in Honour Advance Real Estate (Hainan) Limited* (江裕置業(海南)有限公司) by Honour Advance ("**Disposal 1**") and Hainan Fruitful Business Management Ltd* (海南富迪商業管理有限公司) which held a property for the benefit of the Group by Fanning Properties ("**Disposal 2**") at the aggregate consideration of RMB385,000,000 (equivalent to approximately HK\$427,778,000). On 7 August 2023, the parties entered into formal definitive agreement relating to the Disposal 1 and Disposal 2. The Disposal 1 and Disposal 2 were completed on 30 August 2023.

The amount represented the outstanding consideration receivable for the Disposal 1 and Disposal 2 of approximately RMB285,000,000 (equivalent to approximately HK\$316,667,000) ("**Outstanding Consideration**") is to be received in four installments, with the first installment payable before 31 October 2024 and the last installment payable before 31 October 2027. The Outstanding Consideration was classified as other receivables under non-current assets.

A discounted effect of approximately of HK\$33,515,000 was considered due to the repayment schedule of the Outstanding Consideration. During the period ended 30 September 2023, imputed interest income amounting approximately HK\$1,308,000 had been generated from the Outstanding Consideration.

Please refer to the announcement of the Company dated 7 August 2023 and the circular of the Company dated 31 August 2023 for details of the Disposal 1 and Disposal 2.

* English name for identification purpose only.

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

| | 30 September 2023 | 31 March 2023 |
|---|------------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Completed properties held for sale | 416,495 | 450,862 |
| Properties held for sale under development | 249,486 | 251,211 |
| | 665,981 | 702,073 |
| Properties held for sale under development — expected to be recovered: | | |
| Within one year | 249,486 | 251,211 |

As at 30 September 2023, certain completed properties held for sale and properties held for sale under development of the Group with an aggregate carrying amount of HK\$136,746,000 (31 March 2023: HK\$145,692,000) 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 ranging from 30 to 90 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Accounts receivable are non-interest-bearing.

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

| | 30 September 2023 | 31 March 2023 |
|-----------------|------------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 90 days | 3,064 | 7,682 |
| 91 to 180 days | 274 | 1,893 |
| 181 to 360 days | 3,374 | 1,759 |
| Over 360 days | 1,558 | 2,714 |
| Total | 8,270 | 14,048 |

14. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As at 31 March 2023, the Disposal 1 and Disposal 2 were still in progress, which was subject to further negotiations between the parties and the execution of formal definitive agreement by the relevant parties. Consequently, the related assets and liabilities from the Disposal 1 and Disposal 2 were classified as held for sale.

The Disposal 1 and Disposal 2 were completed on 30 August 2023 (note 17).

The major classes of assets and liabilities of the Disposal 1 and Disposal 2 classified as held for sale as at 31 March 2023 are as follows:

| | <i>Note</i> | <i>HK\$'000</i> |
|---|-------------|-----------------------|
| Assets | | |
| Investment properties | 9 | 299,250 |
| Properties held for sale under development and properties held for sale | | 32,807 |
| Cash and cash equivalents | | <u>120</u> |
| Assets classified as held for sale | | <u>332,177</u> |
| Liabilities | | |
| Other payables and accruals | | (210) |
| Deferred tax liabilities | | <u>(57,538)</u> |
| Liabilities directly associated with the assets classified as held for sale | | <u>(57,748)</u> |
| Net assets directly associated with disposal group [#] | | <u><u>274,429</u></u> |

[#] Intragroup balances of HK\$5,983,000 was eliminated and thus not included in assets/liabilities classified as held for sale.

15. ACCOUNTS PAYABLE

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

| | 30 September 2023 HK\$'000 | 31 March 2023 HK\$'000 |
|-----------------|---|------------------------------|
| Within 90 days | 940 | 1,310 |
| 91 to 180 days | 213 | 230 |
| 181 to 360 days | 92 | 32 |
| Over 360 days | <u>3,276</u> | <u>3,490</u> |
| Total | <u><u>4,521</u></u> | <u><u>5,062</u></u> |

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

16. SHARE CAPITAL

| | 30 September 2023 HK\$'000 | 31 March 2023 HK\$'000 |
|--|---|------------------------------|
| Authorised: | | |
| 5,000,000,000 ordinary shares of HK\$0.10 each | <u>500,000</u> | <u>500,000</u> |
| Issued and fully paid: | | |
| 1,466,820,600 ordinary shares of HK\$0.10 each | <u>146,682</u> | <u>146,682</u> |

17. DISPOSAL OF A SUBSIDIARY

Details of Disposal 1 please refer to note 11 to the condensed consolidated financial statements.

| | <i>HK\$'000</i> |
|---|----------------------|
| Net assets disposed of under Disposal 1: | |
| Completed properties held for sale | 36,845 |
| Other payables and accruals | (141) |
| Deferred liabilities | <u>(895)</u> |
| | 35,809 |
| Gain on disposal of a subsidiary | 31,036 |
| Release of exchange fluctuation reserve | <u>594</u> |
| Satisfied/to be satisfied by: | |
| Cash | <u><u>67,439</u></u> |

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

| | <i>HK\$'000</i> |
|--|----------------------|
| Cash consideration | 81,111 |
| Less: Effect of discounting the Outstanding Consideration | (6,355) |
| Legal and professional fee and transaction costs paid | <u>(7,317)</u> |
| Net consideration | 67,439 |
| Less: Deposits received | (2,106) |
| Outstanding Consideration to be received | (53,937) |
| Add: Imputed interest income | <u>248</u> |
| Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary | <u><u>11,644</u></u> |

18. RELATED PARTY TRANSACTIONS

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

| | <i>Notes</i> | 2023 HK\$'000 | 2022 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Management fee income from a related company | (i) | — | 27 |
| Management fee income from associates | (i) | 582 | 720 |
| Rental income from a related company | (ii) | 108 | 105 |
| Rental income from an associate | (iii) | 60 | 60 |
| Management fee to a related company | (iv) | 180 | 180 |
| Interest expense to a related party | (v) | 2,188 | — |

Notes:

- (i) The management fee was charged by reference to actual costs incurred for the services provided by the Group.
- (ii) During the period, rental income was charged to Fitness Concept Limited (“FCL”) at HK\$18,000 (2022: HK\$18,000) per month in average. Mr. Tjia Boen Sien (“**Mr. Tjia**”) is a director and has beneficial interests in the Company and FCL, while Mr. Tjia Wai Yip, William is a director of the Company and FCL.
- (iii) During the period, rental income was charged to an associate at HK\$10,000 (2022: HK\$10,000) per month as mutually agreed between the parties.
- (iv) The management fee was charged by FCL by reference to the terms of agreement as agreed between both parties.
- (v) The interest expense was charged by the loan from a related party.
- (b) Outstanding balances with related parties:
- The balances with associates, related companies and non-controlling shareholders are unsecured, interest-free and repayable on demand.
- (c) Compensation of key management personnel of the Group:
- The key management personnel of the Group are the directors and chief executive of the Company. Details of the remuneration of the directors of the Company are disclosed in note 4 to the condensed consolidated financial statements.

The related party transactions above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

19. 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 2023 <i>HK\$'000</i> | 31 March 2023 <i>HK\$'000</i> | 30 September 2023 <i>HK\$'000</i> | 31 March 2023 <i>HK\$'000</i> |
| Financial assets | | | | |
| Equity investments at fair value through profit or loss | <u>70,315</u> | <u>157,463</u> | <u>70,315</u> | <u>157,463</u> |
| Financial liabilities | | | | |
| Interest-bearing bank and other borrowings (with non-current portion) | <u>124,194</u> | <u>169,521</u> | <u>124,194</u> | <u>169,521</u> |

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

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

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

The fair values of unlisted equity investments have been estimated using market-based valuation techniques based on assumptions that are supported by observable market prices or rates. As at 30 September 2023 and 31 March 2023, certain unlisted equity investments carry out property redevelopment projects and the fair values of the properties under these projects are considered in the fair value assessment by the directors; while an unlisted investment carries a listed equity investment and its quoted market price is also considered in the fair value assessment by the directors. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then adjusted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. A discount for lack of marketability ("DLDM") is applied in the fair value assessment, representing the amounts of premium and discounts determined by the Group that market participants would take into account when pricing the investments. The adjusted multiple is applied to

the corresponding equity and earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The fair values of interest-bearing bank and other borrowings repayable beyond one year after the end of the reporting period as assessed on an individual borrowing basis have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group did not have any financial liabilities measured at fair value as at 30 September 2023 and 31 March 2023.

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 2023

| | Quoted prices in active markets (Level 1) <i>HK\$'000</i> | Significant observable inputs (Level 2) <i>HK\$'000</i> | Significant unobservable inputs (Level 3) <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|---|---|--------------------------|
| Equity investments at fair value through profit or loss | — | — | 70,315 | 70,315 |

As at 31 March 2023

| | Quoted prices in active markets (Level 1) <i>HK\$'000</i> | Significant observable inputs (Level 2) <i>HK\$'000</i> | Significant unobservable inputs (Level 3) <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|---|---|--------------------------|
| Equity investments at fair value through profit or loss | — | — | 157,463 | 157,463 |

As at 30 September 2023, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank and other borrowings with non-current portion of HK\$124,194,000 (31 March 2023: HK\$169,521,000). 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 Reporting 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 (six months ended 30 September 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's major business segments during the six months ended 30 September 2023 (the "Reporting Period") comprise:

- (a) the property development and investment business segment, which is engaged in property development of residential and commercial properties and the holding of investment properties;
- (b) the trading business segment, which is engaged in the trading of medical equipment and home security and automation products, including the provision of related installation; and
- (c) the "others" segment, which comprises, principally, the operation of a hotel.

The Group's revenue for the period ended 30 September 2023 recorded at approximately HK\$33,887,000 (six months ended 30 September 2022: HK\$60,384,000), representing a significant decrease of approximately 44% compared with the corresponding period last year.

In Mainland China, the overall economic activities had improved. However, the magnitude of economic recovery was below expectation because of the continued trade and political tension with the U.S. During the Reporting Period, the central government continued to provide accommodative monetary policy and necessary fiscal stimulus to enhance economic recovery, the economic growth was still affected. The property market continued its weakness as many property developers have yet to resolve the credit and liquidity problems carried forward from previous years.

Property development and investment business

The Group's revenue for the Reporting Period from this segment was approximately HK\$12,481,000 (six months ended 30 September 2022: HK\$23,878,000), representing a significant decrease of approximately 48% as compared with the corresponding period last year. The turnover from this segment mainly arose from sales of properties in the PRC and rental income from investment properties located in the PRC.

(i) Sales of properties

Revenue decreased from approximately HK\$13,251,000 for the period ended 30 September 2022 to approximately HK\$4,249,000 for the Reporting Period, representing a significant decrease of approximately 68%.

In the Reporting Period, sales were mainly contributed by the sales of car parks at World Expo Plaza in Kaifeng, the PRC (“**World Expo**”) and few commercial units at Haikou, the PRC. Compared with corresponding period last year, several commercial units of World Expo were sold with larger contract sums.

Dynamics of the residential property development market have shifted markedly against the developers. In addition, unwelcomed spurts of the pandemic drastically slowed down selling activities and also affected construction. In turn, illiquidity in the market magnified the funding pressure on the aggressively geared developers, which in turn weakened demand psychology in a vicious circle.

During the Reporting Period, the property market continued its slow down of sales that carried forward from last year, thus many property developers experienced serious credit and liquidity crunch. The overall sentiment of the property market inevitably affected the Group’s property business in Mainland China.

The process of seeking for potential buyers for the remaining properties were delayed due to general slowdown in the property market in the PRC. The domestic property market was basically frozen due to the impact from the outbreak of the coronavirus pandemic in last period. Pre-sale arrangement for the residential area of Section G of Century Place, Kaifeng, the PRC commenced since May 2021, and the related sales revenue will be recognised during the year ending 31 March 2024, subject to the progress of construction and completion of sales.

(ii) Rental income from investment properties

Turnover from rental income decreased from approximately HK\$10,627,000 for the six months ended 30 September 2022 to approximately HK\$8,232,000 for the Reporting Period, representing a decrease of approximately 23%. The main decrease was arising from the decrease in the average exchange rate of Renminbi to Hong Kong dollars from 1.16 to 1.10. On the other hand, the drop in rental income arising from Haikou, the PRC also caused the drop in rental income during the Reporting Period. As the Group has entered agreement with an independent third party to sell the commercial properties at Haikou, the tenancy agreement that expired during the Reporting Period has not been renewed.

Very substantial disposal of an investment property and certain properties in Hainan via the disposal of companies

On 20 October 2022, Honour Advance Limited (“**Honour Advance**”), a wholly-owned subsidiary of the Company, and Fanning Properties Limited (“**Fanning Properties**”), an independent third party entered into a letter of intent (“**Letter of Intent**”) with Haikou Longhua City Investment Holding Co., Ltd.* (海口市龍華區城市投資控股有限公司), in relation to a proposed disposal of their entire interests in Honour Advance Real Estate (Hainan) Limited* (江裕置業(海南)有限公司) by Honour Advance (“**Disposal 1**”) and Hainan Fruitful Business Management Ltd* (海南富迪商業管理有限公司) which held a property for the benefit of the Group by Fanning Properties (“**Disposal 2**”) at the aggregate consideration of RMB385,000,000 (equivalent to approximately HK\$427,778,000). On 7 August 2023, the parties entered into formal definitive agreement relating to the Disposal 1 and Disposal 2. The Disposal 1 and Disposal 2 were completed on 30 August 2023.

Based on the total consideration for the Disposal 1 and Disposal 2 of RMB385 million (equivalent to approximately HK\$427.8 million) and after deducting the net asset position of Honour Advance Real Estate (Hainan) Limited and the net book value of the investment property held on behalf by Hainan Fruitful Business Management Ltd. as at 30 September 2023 and the discount effect due to deferred payment of the total consideration, the enterprise income tax, transaction cost (including professional fees, finder’s fee, administrative fees and related taxes) the Group recognised an gain of approximately HK\$24.3 million and HK\$17.1 million from the Disposal 1 and Disposal 2 respectively.

Please refer to the announcement of the Company dated 7 August 2023 and the circular of the Company dated 31 August 2023 for details of the Disposal 1 and Disposal 2.

Segment operating profit generated from this segment for the Reporting Period amounted to approximately HK\$67,048,000 (six months ended 30 September 2022: HK\$4,793,000). The significant increase was arising from the disposal of properties at Hainan mentioned in the paragraph headed “**Very substantial disposal of an investment property and certain properties in Hainan via the disposal of companies**” during the Reporting Period.

Trading business

The Group’s revenue for the Reporting Period from this segment recorded at approximately HK\$14,007,000 (six months ended 30 September 2022: HK\$32,176,000), representing a significant decrease of approximately 56% as compared to the last reporting period.

Revenue generated from this segment arises from the trading of medical equipment, wellness and pandemic prevention products and home security and automation products, including the provision of the related installation and maintenance services.

(i) Trading of medical equipment, wellness and pandemic prevention products

Revenue decreased from approximately HK\$29,063,000 for the six months ended 30 September 2022 to approximately HK\$11,108,000 for the Reporting Period, representing a significant decrease of approximately 62%. The decrease was due to more orders completed in last reporting period due to the significant increase in demand of air purifiers because of the coronavirus pandemic. On the other hand, the purchase department of the Hospital Authority (our major customer) has put more focus on those urgent orders for anti-pandemic products in the first half of 2022 which caused the significant increase in turnover in last reporting period. Our major customer has deferred some of the non-urgent orders to coming years.

(ii) Trading of home security and automation products

Revenue decreased slightly from approximately HK\$3,113,000 for the six months ended 30 September 2022 to approximately HK\$2,899,000 for the Reporting Period, representing a decrease of approximately 7%. The decrease in turnover was because of the disposal of a loss-making subsidiary in Haikou during the year ended 31 March 2023.

Segment operating loss generated from this segment for the Reporting Period amounted to approximately HK\$251,000 (six months ended 30 September 2022: profit of HK\$4,055,000). The loss noted for this Reporting Period is due to the significant drop in sales.

“Others” business, principally operation of a hotel

The Group’s revenue for the Reporting Period generated from this segment was approximately HK\$7,399,000 (2022: HK\$4,330,000), representing a significant increase of 71% as compared to the same period last year. Revenue generated from this segment arises mainly from the operation of a hotel. The Group operates one hotel, namely Holiday Inn Express Kaifeng City Center (“**Holiday Inn Express Kaifeng**”) during the Reporting Period. Holiday Inn Express Kaifeng is located in the city centre of Kaifeng, with a total gross floor area of approximately 14,000 sq.m.. It consists of 243 guest rooms, including 100 king bed standard rooms, 106 single bed standard rooms, 18 king bed superior rooms, 18 single bed superior rooms and 1 suite. There are also 3 meeting rooms with a total gross floor area of approximately 460 sq.m..

As the coronavirus crisis eased, the tourism business resumed progressively to pre-pandemic levels. During the Reporting Period, the overall performance of the Group’s hotel in the Mainland China was greatly improved. The average occupancy rate increased from 27% in last reporting period to 43% to this Reporting Period.

Segment operating loss generated from this segment during the Reporting Period amounted to approximately HK\$1,404,000 (2022: HK\$2,558,000). The loss was mainly due to depreciation expense of the hotel.

The net loss attributable to owners of the Company for the Reporting Period amounted to approximately HK\$16,807,000 as compared with that for the six months ended 30 September 2022 of approximately HK\$69,317,000. The significant drop in loss was due (i) the gain arising from the disposal of the investment property at Haikou, the PRC under Disposal 2 amounting approximately HK\$14,587,000 (after taxation); (ii) the gain arising from the disposal of the commercial properties at Haikou, the PRC via the disposal of a subsidiary under Disposal 2 amounting approximately HK\$2,487,000 (after taxation); and (iii) the dividend income received from an investee amounting approximately HK\$33,723,000 due to the sales of one of the equity investment that was listed in China on Shenzhen Stock Exchange by that investee.

Loss per share for the six months ended 30 September 2023 was approximately HK1.15 cents.

FINANCIAL REVIEW

Turnover

For the six months ended 30 September 2023, the Group's turnover amounted to approximately HK\$33.9 million, decreased significant by approximately 44% as compared to the same period last year. Such decrease was mainly because (i) the drop in the demand for air purifiers which caused a significant decrease in sales for the trading segment; and (ii) turnover from sales of properties was still experiencing a low level during the Reporting Period. Only few car parks were sold during the Reporting Period.

Revenue generated from property development and investment business, trading business and others business amounted to approximately HK\$13 million, HK\$14 million and HK\$7 million, respectively, representing a decrease of approximately 48%, a decrease of approximately 56% and an increase of approximately 71%, respectively as compared with the same period last year.

Gross profit margin

During the six months ended 30 September 2023, the Group's gross profit margin was approximately 60.9%, up by 12 percentage points as compared to 48.9% of the same period last year. This was mainly because a higher gross margin was noted for the sales of properties at Haikou, the PRC comparing with those at Kaifeng, the PRC. On the other hand, the increase is driven by larger proportion of rental income included in turnover from property development and investment business segment in the Reporting Period as compared with the same period last year, increasing from approximately 18% to approximately 24%. The gross profit margin of the rental income was much higher than that of the sales of properties. As a result, overall gross profit margin was higher in the Reporting Period.

Fair value loss on equity investments at fair value through profit or loss

The amount represents the fair value loss on one of the equity investments that are included in the equity investments designated at fair value through profit or loss due to a significant decrease in share price of that investment.

Liquidity and financial resources

During the Reporting Period, the Group maintained a healthy liquidity position with working capital financed mainly by internal resources and also other borrowings. The Group adopted a prudent cash and financial management policy.

As at 30 September 2023, the Group had total assets of approximately HK\$2,043,231,000, which were financed by total liabilities, shareholders' equity and non-controlling interests of approximately HK\$646,793,000, HK\$1,406,896,000 and HK\$10,458,000 (debit balance), respectively. The Group's current ratio as at 30 September 2023 was 1.83 as compared with 2.73 as at 31 March 2023.

Gearing ratio is calculated by dividing the total interest-bearing debts less cash and cash equivalents with the total equity as at the end of the respective reporting periods and multiplied by 100%. The Group had a net gearing ratio of approximately 24% as at 30 September 2023 (31 March 2023: 31%). We analyse the maturity profiles of our borrowings and manage our liquidity level to ensure a sufficient cash flow to service our indebtedness and meet cash requirements arising from our business. We will explore various financing opportunities to improve our capital structure and reduce our cost of capital.

Capital expenditure

Total capital expenditure for the six months ended 30 September 2023 was approximately HK\$61,000, which was mainly used in the addition of computer equipment.

Contingent liabilities

At the end of the Reporting Period, there were no significant contingent liabilities for the Group.

Commitments

At the end of the Reporting Period, the Group had capital commitments contracted, but not provided for, of approximately HK\$3,435,000.

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of certain of the Group's leasehold land and buildings situated in Hong Kong and the PRC of HK\$176,830,000 (31 March 2023: HK\$163,294,000);
- (ii) the pledge of certain of the Group's investment properties situated in the PRC of HK\$457,960,000 (31 March 2023: HK\$487,920,000);
- (iii) the pledge of certain listed equity instruments held by the Group's equity investee with a fair value of HK\$13,504,000 (31 March 2023: HK\$34,358,000);
- (iv) the pledge of certain of the Group's of properties held for sale under development and properties held for sale situated in the PRC of HK\$136,746,000 (31 March 2023: HK\$145,692,000);
- (v) the pledge of certain properties held by a related company of the Group situated in Hong Kong of HK\$16,069,000 (31 March 2023: HK\$16,069,000);
- (vi) the assignment of rental income from the leases of certain of properties of the Group; and
- (vii) the pledge of the Group's time deposits of HK\$4,000,000 (31 March 2023: HK\$4,000,000).

Treasury policies

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

Exchange risk exposure

The Group mainly exposes to balances denominated in Renminbi ("RMB") which is mainly arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities.

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

PROSPECTS

Property development and investment

For the 2024, it is anticipated that the global economy will still be challenging and volatile. Factors such as high inflation and continued interest rate hike will certainly dampen economic recovery.

The mainland economy is facing difficulties arising from a grim and complex external environment, insufficient domestic demand and supply-demand issues in the real estate market. In view of the challenges, apart from implementing a proactive fiscal policy and a prudent monetary policy on a continuous basis, the Central Government has adjusted housing policies and launched more initiatives to promote employment and expand consumption.

In Mainland China, it is expected that the central government will continue its effort to provide proactive accommodative monetary policy and fiscal stimulus to enhance economic growth. For the property market, more supportive policies and measures by government are expected to be put in place to revive the property market which is essential to many aspects of the economy. Therefore, it is anticipated that the property market will gradually recover and improve in the long run.

Currently, the leverage ratio and assets debt ratio of the Group are relatively low in the same field. Under the macro policy of the central Government, the banks are relaxing their lending policy towards the landed properties business. The Group will take this opportunity to sell its assets in order to optimise its cash flows and lower the Group's risk on debts.

Century Place, Kaifeng

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, Henan Province, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 210,500 sq.m.. The name of this project is “**Century Place, Kaifeng**”. Up to the date of this interim results announcement, the construction of a gross floor area of approximately 190,000 sq.m. has been completed and achieved a total sales contract sum of approximately RMB767 million. The remaining part of the land (Section G) is under construction, and it is expected that the construction will be completed by the middle of 2024 and the pre-sale has already started in the second quarter of 2021.

The unsold area at the Century Place, Kaifeng consists of the following:

| | CURRENT USE | GROSS FLOOR AREA <i>(approximately sq.m.)</i> |
|-----------|--|---|
| Section A | Investment properties — Shops (leased out) | 53,600 |
| Section B | Properties held for sale — Apartments | 200 |
| | Car park | 78 |
| Section C | Properties held for sale — Villas | 6,000 |
| Section D | Properties held for sale — Offices | 1,200 |
| | Car park | 10 |
| Section E | Properties held for sale — Shops | 350 |
| Section F | Properties held for sale — Shops | 11,100 |
| | Car park | 89 |
| Section G | Properties held for sale under development — Apartments and shops | 20,500 |

The Group plans to sell Section C together with Section G. It is because these two sections are adjacent to each other and it is believed that the synergy effect can bring a higher return to the Group. Up to the date of this interim results announcement, the discussions regarding any potential sale remained preliminary and no formal proposal has been put forward by any third party to the Group and no legally binding agreement or contract relating to any business cooperation has been entered into by the Group. The outcome of any discussion on such business cooperation is not known as of the date of this interim results announcement and in the event that any agreement or contract regarding the possible business cooperation with the aforementioned third party is reached, the Group will comply with the relevant requirements of the Listing Rules.

Up to the date of this interim results announcement, the total contract sum from the pre-sale of Section G properties amounted to approximately RMB24 million. However as the ownership of the properties have not yet been ready to be passed to the buyers, no revenue from sales has been recognised for Section G during the Reporting Period.

World Expo, Kaifeng

On 16 February 2012, the Group successfully won a bid for the acquisition of the land use right of a residential and commercial site in the city of Kaifeng, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 95,000 sq.m.. The name of this project is “**World Expo, Kaifeng**”. Up to the date of this interim results announcement, this project has been completed and achieved a total sales contract sum of approximately RMB574 million.

The unsold area at the World Expo, Kaifeng consists of the following:

| CURRENT USE | GROSS FLOOR AREA <i>(approximately sq.m.)</i> |
|--|---|
| Commercial Sector A Property, plant and equipment — Hotel | 14,000 |
| Commercial Sector B Properties held for sale — Shops | 6,200 |
| Residential Blocks 1–3 Properties held for sale — Apartments | 7,100 |
| Car park | 145 |

Trading of medical equipment and home security and automation products

Medical equipment

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 urban areas, together create additional demand for medical equipment. Consequently, this segment is expected to 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.

In addition, with the improving standard of living and technology in Hong Kong, major cities in the PRC and Southeast Asia, the Group aims to provide a series of solutions to smart city development for shopping malls, government facilities, border and airport, etc.

The Group has set up two associates, namely Hope4Care Limited (20% owned by the Group) and UltraX Technologies Co., Ltd. (35% owned by the Group), with independent third parties. Hope4Care Limited is a research and development company which engages in inventing intelligent human-computer interaction rehabilitation training platforms for the elderly and persons with chronic diseases. The Group cooperates with a professor from Chinese University of Hong Kong to develop the online augmented reality and virtual reality training platforms for stroke survivors and the elderly, including upper limb, lower limb, balance and coordination exercises. The products specially target on the elderly and persons with chronic diseases and to provide online rehabilitation service to improve their quality of life.

UltraX Technologies Co., Ltd. (“UltraX”) (晁能力科技股份有限公司), is a company incorporated in Taiwan which holds the licence for trading of medical equipment for both retail and wholesale markets in Taiwan. UltraX has successfully obtained the distribution right from Ewac Medical, a world market leader in aquatic rehabilitation equipment. Based on our experiences in hydrotherapy products, the Group intends to increase the market share in Taiwan medical market.

Home security and automation products

Through one of the associates of the Group, Axxonsoft Hong Kong Limited, the Group continues to promote the application of artificial intelligence (“AI”) video analysis technology, which can provide various functions such as preventing loitering, assist in controlling the spread of diseases, analyzing human posture and behaviour, and assisting property valuation.

In Hong Kong, we provide people flow analysis services to financial institutions located in different areas to help them better understand customer traffic patterns. We also provide advanced video management platform software to various organizations of the Hong Kong Government to enhance their monitoring and management capabilities. In Mainland China, we have successfully obtained the first large-scale airport project which integrates multiple different systems, such as access control systems, intrusion alarm systems and fire alarm systems, etc., while combining over 18,000 channels of video cameras, some of which are equipped with AI analysis capabilities, to provide more comprehensive physical security information management services for airport managers.

We actively increase our market share by attending seminars and exhibitions in order to promote our products and expand the sales channel.

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

Hotel operation

The Group has signed an agreement with 六洲酒店管理(上海)有限公司 (a member of IHG Hotels & Resort) to operate the hotel under the name of “**Holiday Inn Express Kaifeng City Center**”. Holiday Inn Express is one of the world-famous selected service hotel brands. Holiday Inn Express Kaifeng City Center was opened in January 2020.

The Group is taking all practicable measures to cope with the challenges from the all pandemic. The first priority is to deliver a feeling of safety to our guests. Therefore, we are putting in place strict sanitisation and hygiene protocol to ensure guests returning to stay or dine in the hotel will have complete peace of mind and full assurance in the hotel’s products and services. Moreover, we are introducing marketing and sales recovery strategies to target the domestic market for staycation and food menu for takeaway, and at the same time, taking decisive decision to reduce operating costs. The Group will continue to improve the quality of its hotel services to ensure the hotel guests having enjoyable experiences during their stays in the hotel.

The Board will strive for new breakthroughs in terms of industry and geographic coverage by improving the Group’s corporate governance to comply with the Listing Rules, increasing the risk control level, enhancing asset management capability, further

forging a professional and high-quality talent team to seize the development opportunity and actively develop new customers. The Group will also pay attention to maintain relationships with existing customers and explore deeper cooperation with quality customers in order to achieve steady and long-term development of the Group.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Other than the disposal mention in the paragraph headed “*Very substantial disposal of an investment property and certain properties in Hainan via the disposal of companies*”, during the Reporting Period, 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 interim results announcement, the Group did not have other plans for material investment or capital assets as at 30 September 2023.

HUMAN RESOURCES

As at 30 September 2023, the Group had 141 employees, 94 of whom were based in the PRC. The total employee benefits expenses including directors’ emoluments for the Reporting Period decreased to approximately HK\$17.3 million from approximately HK\$19.3 million in the same period last year. The decrease was mainly due to the decrease of bonus in trading segment as higher sales was noted in last reporting period.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the six months ended 30 September 2023.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 30 August 2022 (the “**Scheme**”) which complied with the requirements of Chapter 17 of the Listing Rules.

The Scheme is established by the Company to recognise and acknowledge the contributions of eligible participants who have contributed to the success of the Group’s operations. Eligible participants of the Scheme include full time or part time employees, executives, officers or directors (including independent non-executive directors) of the Group. The Scheme will remain in force for 10 years from 30 August 2022.

During the Reporting Period, no share options were granted under the Scheme.

At the end of the Reporting Period, no share options were outstanding under the Scheme.

Details of the Scheme will be disclosed in the “**Management Discussion and Analysis**” section in the Group’s 2023 interim report.

DISCLOSURE OF DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following is the change in the information of the Directors since the annual report of the Company dated 29 June 2023, which is required to be disclosed pursuant to the Rule 13.51B(1) of the Listing Rules:

Dr. Ho Chung Tai, Raymond

Dr. Ho Chung Tai, Raymond resigned as an independent non-executive director of Superland Group Holdings Limited (stock code: 368), a company with its shares listed on the main board of the Stock Exchange, on 17 July 2023.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the six months ended 30 September 2023.

CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2023, the Company’s corporate governance practices are based on the principles and the code provisions (“**Code Provisions**”) as set out in the Code on Corporate Governance Practices (“**CG Code**”) contained in Appendix 14 of the Listing Rules. The Directors consider that the Company has complied with most of the Code Provisions throughout the six months ended 30 September 2023, save for the deviation from the Code Provision C.2.1, 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 C.2.1

Code Provision C.2.1 requires that the roles of Chairman and chief executive should be separate and should not be performed by the same individual.

The Company has deviated from Code Provision C.2.1 to the extent that the roles of chairman and chief executive (or in the context of the Company, the managing director) are performed by Mr. Tjia. Having considered the existing structure and composition of the Board and operations of the Group in Hong Kong, the Board believes that vesting the roles of both chairman and managing director in Mr. Tjia facilitates the effective implementation and execution of its business strategies by, and ensures a consistent leadership for, the Group. Further, a balance of power and authority between the Board and management can be ensured by the operation of the Board, whose members (including the three independent non-executive directors) are individuals of high calibre with ample experience, such that the interests of shareholders can be safeguarded. The Company will continue to review the structure and composition of the Board from time to time to ensure that a balance of power and authority between the Board and management is appropriately maintained for the Group.

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 2023.

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 2023, 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, Mr. Siu Kam Chau and Mr. Song Sio Chong. Mr. Siu Kam Chau is the Chairman of the committee.

The interim results of the Group for the six months ended 30 September 2023 have not been reviewed or audited by the Company's independent auditor. The Audit Committee held a meeting on 28 November 2023. 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 2023 interim report and interim financial statements of the Group have complied with the applicable accounting standards and the Company has made appropriate disclosures 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 and Mr. Wang Jing Ning, and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Kam Chau and Mr. Song Sio Chong. Mr. Song Sio Chong 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 and Mr. Wang Jing Ning, and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Kam Chau and Mr. Song Sio Chong. 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 2023 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 Chairman

Hong Kong, 28 November 2023

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