



Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)



INTERIM REPORT 2007

The board of directors (the “Board”) of Deson Development International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2007, together with the comparative figures for the six months ended 30 September 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Notes	2007 HK\$'000	2006 HK\$'000 (Restated)
REVENUE	3	322,310	227,902
Cost of sales		(256,434)	(177,737)
Gross profit		65,876	50,165
Other income and gains	3	12,890	6,639
Fair value gain, net on available -for-sale investments		–	3,053
Gain on disposal of subsidiaries		3,163	–
Administrative expenses		(59,821)	(52,919)
Finance costs	5	(3,103)	(2,554)
Share of profits and losses of:			
A jointly-controlled entity		(238)	(9)
Associates		924	857
PROFIT BEFORE TAX	4	19,691	5,232
Tax	6	(12,190)	(2,858)
PROFIT FOR THE PERIOD		7,501	2,374
Attributable to:			
Equity holders of the parent		7,617	2,629
Minority interests		(116)	(255)
		7,501	2,374
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
– Basic		1.33 cent	0.50 cent
– Diluted		1.33 cent	0.50 cent

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2007

		30 September 2007	31 March 2007
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		92,852	105,309
Investment properties	8	87,718	80,106
Prepaid land lease payments		12,887	13,012
Interest in a jointly-controlled entity		12,897	11,409
Interests in associates		8,929	7,900
Amounts due from investees		6,240	17,721
Deferred tax assets		262	262
Total non-current assets		<u>221,785</u>	<u>235,719</u>
CURRENT ASSETS			
Amounts due from associates		23,024	24,563
Amounts due from minority shareholders		–	7
Properties held for sale	9	375,919	395,379
Gross amount due from contract customers		25,872	12,283
Inventories		1,251	8,537
Accounts receivable	10	67,932	68,544
Prepayments, deposits and other receivables		47,117	26,220
Cash and cash equivalents		72,305	53,159
Pledged time deposits		60,562	68,184
Total current assets		<u>673,982</u>	<u>656,876</u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

30 September 2007

		30 September 2007	31 March 2007
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
CURRENT LIABILITIES			
Gross amount due to contract customers		67,064	29,104
Accounts payable	11	22,515	38,670
Other payables and accruals		129,999	175,060
Amounts due to associates		643	534
Amounts due to minority shareholders		13,360	11,824
Amounts due to a director		17,390	–
Tax payable		28,595	22,334
Interest-bearing bank and other borrowings		89,022	87,560
		<hr/>	<hr/>
Total current liabilities		368,588	365,086
		<hr/>	<hr/>
NET CURRENT ASSETS		305,394	291,790
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		527,179	527,509
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Convertible notes	12	15,061	14,856
Interest-bearing bank and other borrowings		71,760	84,162
Deferred tax liabilities		11,750	11,749
		<hr/>	<hr/>
Total non-current liabilities		98,571	110,767
		<hr/>	<hr/>
Net assets		428,608	416,742
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	13	57,268	57,268
Reserves		368,077	356,303
Equity component of convertible notes		1,259	1,259
		<hr/>	<hr/>
		426,604	414,830
Minority interests		2,004	1,912
		<hr/>	<hr/>
Total equity		428,608	416,742
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2006

	Attributable to equity holders of the parent													Minority interests	Total equity
	Issued capital	Share			Capital reserve	Exchange fluctuation reserve	Investment revaluation reserve	Equity component of			Reserve funds	Retained profits	Total		
		premium account	Contributed surplus	Property revaluation reserve				Share option reserve	convertible notes						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2006	49,668	96,671	15,262	29,890	(9,121)	9,362	3,162	11,476	799	-	3,260	163,678	374,107	2,275	376,382
Exchange realignment	-	-	-	-	-	-	1,749	-	-	-	-	-	1,749	91	1,840
Share of reserves of associates	-	-	-	-	-	-	124	(140)	-	-	-	-	(16)	-	(16)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	(720)	-	-	-	-	(720)	-	(720)
Release upon disposal of available-for-sale investments	-	-	-	-	-	-	-	(3,424)	-	-	-	-	(3,424)	-	(3,424)
Total income and expense recognised directly in equity	-	-	-	-	-	-	1,873	(4,284)	-	-	-	-	(2,411)	91	(2,320)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	2,629	2,629	(251)	2,378
Total income and expenses for the period	-	-	-	-	-	-	1,873	(4,284)	-	-	-	2,629	218	(164)	54
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	346	346
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	2,940	2,940
Exercise of share options	1,100	2,690	-	-	-	-	-	-	(733)	-	-	-	3,057	-	3,057
Issue of shares	1,500	3,502	-	-	-	-	-	-	-	-	-	-	5,002	-	5,002
Equity component of convertible notes	-	-	-	-	-	-	-	-	-	91	-	-	91	-	91
At 30 September 2006	52,268	102,863	15,262	29,890	(9,121)	9,362	5,035	7,192	66	91	3,260	166,307	382,475	5,397	387,872

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

Period ended 30 September 2007

	Attributable to equity holders of the parent													Minority interests	Total equity	
	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Capital reserve	Redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Equity component of		Reserve funds	Retained profits			Total
										convertible notes	of					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2007	57,268	122,563	15,262	28,841	(9,121)	9,362	10,830	1,814	1,081	1,259	3,260	172,411	414,830	1,912	416,742	
Exchange realignment	-	-	-	-	-	-	3,740	-	-	-	-	-	3,740	291	4,031	
Share of reserves of associates	-	-	-	-	-	-	128	289	-	-	-	-	417	-	417	
Total income and expense recognised directly in equity	-	-	-	-	-	-	3,868	289	-	-	-	-	4,157	291	4,448	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	7,617	7,617	(116)	7,501	
Total income and expense for the period	-	-	-	-	-	-	3,868	289	-	-	-	7,617	11,774	175	11,949	
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(83)	(83)	
At 30 September 2007	57,268	122,563*	15,262*	28,841*	(9,121)*	9,362*	14,698*	2,103*	1,081*	1,259	3,260*	180,028*	426,604	2,004	428,608	

* These reserve accounts comprise the consolidated reserves of HK\$368,077,000 (31 March 2007: HK\$356,303,000) in the consolidated balance sheet.

The capital reserve as at 1 April 2007 and 30 September 2007 comprises goodwill arising from the acquisition of subsidiaries prior to 1 April 2002.

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

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES	20,002	(81,520)
CASH FLOWS FROM INVESTING ACTIVITIES	10,649	(25,029)
CASH FLOWS FROM FINANCING ACTIVITIES	(14,687)	89,577
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	15,964	(16,972)
Cash and cash equivalents at beginning of period	11,306	18,736
Effect of foreign exchange rate change	1,229	705
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>28,499</u>	<u>2,469</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	72,305	54,387
Bank overdrafts, secured	(43,806)	(51,918)
	<u>28,499</u>	<u>2,469</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold buildings and available-for-sale investments, which have been measured at fair value. These unaudited condensed financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2007.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 March 2007, except in relation to the following new standards, amendments to standards and interpretations which are relevant to the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Group’s interim results and financial position.

The following new standard, amendment to standard and interpretation, which are relevant to the group, have been issued but are not effective for the year ending 31 March 2008 and have not been early adopted by the Group:

HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of these new standards or interpretation will have no material impact on the accounts of the Group and will not result in substantial changes to the Group’s accounting policies.

2. SEGMENT INFORMATION

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

(a) Business segments

The following tables present revenue and profit/(losses) information for the Group's business segments for the six months ended 30 September 2007 and 2006.

	For the six months ended 30 September							
	Construction business		Property development and investment business		Fitness centre operation and related business		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	189,926	121,539	98,945	73,514	33,439	32,849	322,310	227,902
Other income and gains	897	2,701	1,851	2,229	1,404	87	4,152	5,017
Total	190,823	124,240	100,796	75,743	34,843	32,936	326,462	232,919
Segment results	(3,572)	(5,664)	27,367	18,272	(10,778)	(7,470)	13,017	5,138
Interest income and dividend income							8,738	1,622
Fair value gain, net on available-for-sale investments							-	3,053
Gain on disposal of subsidiaries							3,163	-
Unallocated expenses							(2,805)	(2,773)
Impairment of goodwill	-	(51)	(5)	(51)	-	-	(5)	(102)
Finance costs							(3,103)	(2,554)
Share of profits and losses of:								
A jointly-controlled entity	(238)	(9)	-	-	-	-	(238)	(9)
Associates	924	857	-	-	-	-	924	857
Profit before tax							19,691	5,232
Tax							(12,190)	(2,858)
Profit for the period							7,501	2,374
Other segment information:								
Depreciation	1,005	807	232	179	2,668	1,619	3,905	2,605
Recognition of prepaid land lease payments	126	126	-	-	-	-	126	126
Loss on disposal of items of property, plant and equipment	2	-	-	-	77	123	79	123
Impairment/(reversal of impairment) of accounts receivable	-	(490)	145	(606)	222	-	367	(1,096)
Impairment/(reversal of impairment) of other receivables	(518)	5	1,061	-	-	-	543	5

2. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

The following table presents revenue for the Group's geographical segments for the six months ended 30 September 2007 and 2006.

	For the six months ended 30 September					
	Hong Kong		Mainland China		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>113,731</u>	<u>96,301</u>	<u>208,579</u>	<u>131,601</u>	<u>322,310</u>	<u>227,902</u>

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross revenue earned from construction works and the net amount of maintenance works invoiced, property development and investment business, and fitness centre operations and related business.

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

	2007	2006
	HK\$'000	HK\$'000
Revenue		
Income from construction contracting and related business	189,926	121,539
Income from property development and investment business	98,945	73,514
Income from fitness centre operation and related business	33,439	32,849
	<u>322,310</u>	<u>227,902</u>
Other income and gains		
Bank interest income	1,434	984
Other interest income	494	492
Gross rental income	1,380	1,024
Dividend income from available-for-sale investments	6,810	146
Reversal of impairment of accounts receivable	–	1,096
Others	2,772	2,897
	<u>12,890</u>	<u>6,639</u>

4. PROFIT BEFORE TAX

This is arrived at after charging:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cost of construction contracting	180,001	114,091
Cost of properties sold	66,529	51,953
Cost of inventories sold and service provided	9,904	11,693
Depreciation	3,905	2,605
Recognition of prepaid land lease payments	126	126
Minimum lease payments under operating leases on land and buildings	4,998	5,318
Loss on disposal of items of property, plant and equipment	79	123
Impairment of goodwill	5	102
Employee benefits expense (including directors' emoluments):		
Wages and salaries	20,358	19,500
Pension scheme contributions	570	539
Directors remuneration:		
Fee	156	156
Salaries and allowances	2,104	1,787
Pension scheme contributions	57	50
	<u>2,317</u>	<u>1,993</u>

5. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Restated)
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	6,552	6,766
Interest on convertible notes	521	290
Total interest	7,073	7,056
Less: Interest capitalised on properties under development	(3,970)	(4,502)
	<u>3,103</u>	<u>2,554</u>

6. TAX

No Hong Kong profits tax has been provided as the Group did not generated any assessable profits arising in Hong Kong during the period (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	2007 HK\$'000	2006 HK\$'000 (Restated)
Current – Hong Kong		
Under/(over) provision in prior periods	(8)	1
Current – Elsewhere		
Charge for the period	6,736	2,195
Underprovision in prior periods	–	83
LAT in Mainland China	5,462	579
	<hr/>	<hr/>
Total tax charge for the period	12,190	2,858
	<hr/> <hr/>	<hr/> <hr/>

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the share placement and exercise of share options during the period ended 30 September 2006.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible notes, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

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

	2007 HK\$'000	2006 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	7,617	2,629
Interest on convertible notes	521	290
	<u>8,138</u> *	<u>2,919</u> *
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	572,683,017	520,989,028
Effect of dilution – weighted average number of ordinary shares:		
Share options **	276,923	335,273
Convertible notes	4,711,538	1,930,351
	<u>577,671,478</u> *	<u>523,254,652</u> *

* Because the diluted earnings per share amount is increased when taking convertible notes into account, the convertible notes had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$7,617,000 (2006: HK\$2,629,000) and the weighted average of 572,959,940 (2006: 521,324,301) ordinary shares.

** The share options granted on 23 December 2006 had an anti-dilutive effect on the basic earnings per share and have not been included in the diluted earnings per share calculation for the period ended 30 September 2007.

8. INVESTMENT PROPERTIES

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Carrying amount at 1 April	80,106	–
Additions	7,612	52,226
Fair value adjustment	–	27,880
	<u>87,718</u>	<u>80,106</u>

The investment properties are held under long term leases and are situated in Mainland China.

The Group's investment properties were revalued on 31 March 2007 by B.I. Appraisals Limited, independent professionally qualified valuers, at HK\$80,106,000 on an open market, existing use basis.

9. PROPERTIES HELD FOR SALE

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Completed properties	215,755	234,938
Properties under development	<u>160,164</u>	<u>160,441</u>
	<u>375,919</u>	<u>395,379</u>

As at 30 September 2007, certain completed properties held for sale are pledged to banks to secure banking facilities granted to the Group.

10. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and 180 days for the sale of completed properties held for sale. For retention receivables in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction works. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

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

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Current to 90 days	38,629	43,844
91 to 180 days	10,144	3,803
181 to 360 days	3,847	2,975
Over 360 days	<u>11,193</u>	<u>13,813</u>
	63,813	64,435
Retention money receivables	<u>4,119</u>	<u>4,109</u>
Total	<u>67,932</u>	<u>68,544</u>

11. ACCOUNTS PAYABLE

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

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Current to 90 days	16,966	30,103
91 to 180 days	945	168
181 to 360 days	48	1,436
Over 360 days	4,556	6,963
	<u>22,515</u>	<u>38,670</u>

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

12. CONVERTIBLE NOTES

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

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

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

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Nominal value of convertible notes issued	15,750	15,750
Equity component	(1,259)	(1,259)
Liability component at the issuance date	<u>14,491</u>	<u>14,491</u>
Liability component		
As at 1 April	14,856	14,491
Interest expense	521	955
Interest paid	(316)	(590)
Liability component as at 30 September/31 March	<u>15,061</u>	<u>14,856</u>

13. SHARE CAPITAL

Shares

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Authorised:		
1,500,000,000 (31 March 2007: 1,500,000,000) ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
572,683,017 (31 March 2007: 572,683,017) ordinary shares of HK\$0.10 each	<u>57,268</u>	<u>57,268</u>

Share options

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

14. OPERATING LEASE COMMITMENTS

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

At 30 September 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Within one year	381	9,425
In the second to fifth years, inclusive	461	40,341
After five years	–	31,909
	<u>842</u>	<u>81,675</u>

15. RELATED PARTY TRANSACTIONS

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

	Notes	2007 HK\$'000	2006 HK\$'000
Management fees received from associates	(i)	<u>392</u>	<u>388</u>
Interest income from jointly-controlled entity	(ii)	<u>263</u>	<u>324</u>

Notes:

- (i) The management fees were charged by reference to costs incurred for services provided by the Group.
- (ii) The interest income from jointly-controlled entity was charged at the prime rate plus 1% per annum on an amount due from it of HK\$7,178,000 (2006: HK\$7,178,000).
- (b) Outstanding balances with related parties:

Details of the Group's amounts with its jointly-controlled entity and associates as at the balance sheet date are included in the financial statements; and

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

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

16. POST BALANCE SHEET EVENTS

On 27 November 2007, Deson Development Limited, an indirectly wholly owned subsidiary of the Company entered into a provisional agreement with Asian Time Investment Limited, for the disposal of 13th and 14th Floor of Max Share Centre situated in Hong Kong at a total consideration of HK\$27,178,800.

As the applicable percentage ratio for the disposal calculated pursuant to Rule 14.07(4) of the Listing Rules exceeds 5% but is less than 25%, the disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2007 (2006: Nil).

BUSINESS REVIEW

The Group's turnover for the period was HK\$322,310,000 which represented an increase of 41% as compared with last period. The net profit attributable to equity holders of the Company amounted to approximately HK\$7,617,000 representing an increase of 190% as compared with last period. Earning per share is approximately HK1.33 cent.

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

During the period, the Group completed projects such as the main contractor for construction of four residential houses at 10 Pollock's Path (formerly Sky Height), the Peak, Hong Kong and fitting out works for Club Monaco at New World Tower, Hong Kong.

More to note, during the period, the Group sold certain units in Phase I and Phase III of Asian Villas City Square, Haikou, Hainan Province, and certain apartments and villas in Parkview Garden, Shanghai, which contributed a meaningful turnover and profit to the Group. The Group is also benefit from the increase trend of property market price in PRC. The enthusiastic sales response together with the upward property price trend were demonstrated by the 50% increase in the segment results as compared to last period.

On 25 September 2007, the Group entered into a sales and purchase agreement with Ideal Choice Holdings Limited, a company wholly owned by Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, in relation to the disposal of 100% interest in Fitness Concept Limited and the related shareholder's loan, at a total consideration of HK\$6,000,000. Fitness Concept Limited and its' subsidiaries are principally engaged in the operation of fitness club and trading of fitness equipment business. Upon the completion of the disposal on 30 September 2007, the only business of the Group in relation to the operation of fitness club and trading of fitness equipment business is that of 美格菲(成都)康體有限公司, which is an indirectly wholly owned subsidiary of the Company and engaged in the operation of fitness club business in Chengdu, PRC. For the six months ended 30 September 2007, the fitness club and related business generated turnover in the amount of HK\$33 million to the Group.

FINANCIAL REVIEW

Turnover

During the six months' ended 30 September 2007, the Group's turnover amounted to HK\$322 million, increased by 41% as compared to the same period last year, the impetus behind such growth can largely be traced to certain new and substantial projects under the construction and contracting segment, such as main contractor for redevelopment of Good Hope School at Ngau Chi Wan, Hong Kong with a contract value of HK\$169 million and decoration work for a hotel at Beijing, PRC have commenced and generated meaningful turnover to the Group. Turnover generated from construction contracting business, property development and investment business and fitness club business amounted to approximately HK\$190 million, HK\$99 million and HK\$33 million respectively, which represent increase by 56%, 35% and 2% respectively as compared to the last period.

Gross profit margin

During the period under review, the Group's gross profit margin was approximately 20%, down by 2% as compared to last period's 22%, which reflects the challenging operating environment of the Group of rising production cost and keen competition in the construction contracting and related business.

Liquidity and financial resources

As at 30 September 2007, the Group had total assets of HK\$895,767,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$368,588,000, HK\$98,571,000, HK\$426,604,000 and HK\$2,004,000, respectively.

The gearing ratio for the Group is, at 19% (31 March 2007: 21%). It was calculated based on the long term borrowings of HK\$98,571,000 (31 March 2007: HK\$110,767,000) and long term capital of HK\$527,179,000 (31 March 2007: HK\$527,509,000).

Capital expenditure

Total capital expenditure for the period was approximately HK\$12 million, which are mainly used in purchase of building, leasehold improvements, equipment in connection with the property investment and fitness club businesses in PRC.

Contingent liabilities

At the balance sheet date, there were no significant contingent liabilities for the Group.

Treasury policies

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development projects in Kaifeng and Huizhou, PRC, the Group will take consideration on the Renminbi fund planning to adequately finance these projects. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars and Renminbi, hence, there is no significant exposure to foreign exchange rate fluctuations.

EXCHANGE RISK EXPOSURE

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

PROSPECTS

Construction business (including E&M works)

The Group will uphold an on-going parallel development of its construction business (including E&M works) in both the PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, in April 2006, the Group had been promoted from "List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Environment, Transport and Works Bureau of the HKSAR" to "List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau of the HKSAR". Together with the license in Group II under the "Turn-key Interior Design and Fitting-out Works" under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" and the 11 licenses held under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR", enables the Group to take an active part in the construction business development (including E&M works).

During the period, new projects such as fitting out works for a residential house at Pollock's Path, Hong Kong, interior fitting out works for De Beers at Landmark, Hong Kong, renovation of external wall finishing at Saint Joseph's Catholic Church, Hong Kong, building services installation for the construction of a primary school in Sham Tseng, Hong Kong, air-conditioning and electrical works for Ocean Park redevelopment project – Astounding Asia, Hong Kong, renovation for a 7-storey hotel in Beijing, PRC, and renovation for a hospital in Beijing, PRC were granted. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$794 million.

Property development and investment

Asian Villas City Square, Haikou, Hainan Province is developing into a residential and commercial complex with a total gross floor area of approximately 130,000 sq. metres. Construction is on schedule, up to now, Phase I, II and III were completed and Phase IV are under construction. It is expected the whole development will be completed by the mid of 2008. Up to the date of this report, the total contract sum achieved amounted to approximately RMB206 million.

PROSPECTS (CONTINUED)

Property development and investment (Continued)

On 9 June 2005, the Group has been granted the land use rights of a development site in Long Ting district of the city of Kaifeng. The Directors intend to develop a commercial complex on the site with an estimated gross floor area of approximately 177,000 sq. metres. Up to now, the development is at the removal and demolish stage, processing smoothly, and the removal and demolish is expected to be completed by January 2008. In April 2007, the Group was granted another land use rights of a development site adjacent to the original site in Long Ting District, with a site area of approximately 20,000 sq. metres, the Directors intend to develop this additional site together with the original site.

On 2 November 2006, the Group obtained the land use rights of a development site in Huidong province of PRC. The Directors intend to develop residential villas on the site with an estimated gross floor area of approximately 220,796 sq. metres. It is expected the development will soon be commenced.

The Group had purchased a hotel in Haikou, the capital of Hainan Province, PRC through the acquisition of a subsidiary. The hotel has a gross floor area of 22,109.83 square metres and is under decoration. The Group intends to lease out the hotel to generate recurring rental income. In view of the great potential which Hainan Province has as an upscale tourist destination, the Directors consider the growth prospects to be promising.

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

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

HUMAN RESOURCES

As at 30 September 2007, the Group has 212 employees, 96 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the period under review amounted to HK\$21 million as compared to HK\$20 million in last period.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonus and share options are linked to individual performance as recognition of and reward for value creation.

CONNECTED AND DISCLOSEABLE TRANSACTION

On 25 September 2007, Grace Profit Investments Limited, a wholly owned subsidiary of the Company entered into a sales and purchase agreement with Ideal Choice Holdings Limited, a company wholly owned by Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the disposal of its entire interest in Fitness Concept Limited and related shareholder's loan, at a total consideration of HK\$6,000,000. Upon completion of the agreement, Fitness Concept Limited and its subsidiaries ceased to be subsidiaries of the Company. The transaction was completed on 30 September 2007.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 45.79% equity interest in the Company at that time, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules. The transaction therefore constitutes a connected transaction of the Company. As each of the applicable percentage ratios of the transaction was more than 2.5% but less than 25% and the total consideration involved was less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the transaction was exempted from the independent shareholders' approval requirement and was only subject to the reporting and disclosure requirements of the Listing Rules. The transaction also constituted a discloseable transaction for the Company under the Listing Rules.

COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Contracted, but not provided for, in respect of:		
Renovation cost of investment properties	9,558	11,007
Authorised, but not contracted for, in respect of:		
Renovation cost of investment properties	13,080	17,410
	<u>22,638</u>	<u>28,417</u>

CHARGES ON GROUP ASSETS

The Group's banking facilities are secured by:

- (i) the pledge of certain of the Group's leasehold buildings situated in Hong Kong and Mainland China of HK\$75,422,000 (31 March 2007: HK\$77,356,000).
- (ii) the pledge of the Group's leasehold lands situated in Hong Kong of HK\$13,136,000 (31 March 2007: HK\$13,262,000).
- (iii) the pledge of the Group's time deposits of HK\$60,562,000 (31 March 2007: HK\$68,184,000).
- (iv) the pledge of the Group's completed properties for sale of HK\$31,115,000 (31 March 2007: HK\$50,471,000).

SHARE OPTION SCHEME

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

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

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

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

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

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

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

At 31 March 2007, the Company had 11,250,000 share options outstanding under the Scheme.

SHARE OPTION SCHEME (CONTINUED)

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

Name or category of participant	Number of share options				At date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares at grant date of options*** HK\$ per share
	At 1 April 2007	Granted during the period	Exercised during the period	At 30 September 2007				
Directors								
Ho Chung Tai, Raymond	400,000	-	-	400,000	4 March 2006	5 March 2006 to 4 March 2008	0.34	0.34
Siu Man Po	400,000	-	-	400,000	4 March 2006	5 March 2006 to 4 March 2008	0.34	0.34
	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>800,000</u>				
Other employees, in aggregate					23 December 2006	27 December 2006 to 26 December 2007	0.6	0.58
	<u>10,450,000</u>	<u>-</u>	<u>-</u>	<u>10,450,000</u>				
	<u>10,450,000</u>	<u>-</u>	<u>-</u>	<u>10,450,000</u>				
Total	<u><u>11,250,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>11,250,000</u></u>				

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

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

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

At the balance sheet date, the Company had 11,250,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 11,250,000 additional ordinary shares of the Company, representing approximately 2.0 % of the Company's shares in issue as at the balance sheet date, and additional share capital of HK\$1,125,000 and share premium of HK\$5,417,000 (before issue expenses).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2007, the interests and short positions of the directors in the share capital and share option of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Section 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*	35,984,400	226,250,000	262,234,400	45.79
Mr. Wang Jing Ning	12,839,600	–	12,839,600	2.24
Mr. Wang Ke Duan	268,960	–	268,960	0.05
Mr. Siu Man Po	180,000	–	180,000	0.03

* Sparta Assets Limited ("Sparta Assets"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.

The interests of the directors in the share options of the Company are separately disclosed in the section headed "Share option scheme".

Save as disclosed above and the section head "Share option scheme", none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors interests and short positions in shares and underlying shares" above and "Share option scheme", at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2007, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Number of underlying shares (under equity derivatives of the Company)	Aggregate interest	Percentage of the Company's issued share capital
Sparta Assets	Directly beneficially owned	226,250,000	—	226,250,000	39.51
Mr. Tjia Boen Sien (Note 1)	Interests of controlled corporation	226,250,000	—	226,250,000	39.51
Penta Investment Advisers Limited ("Penta") (Note 2)	Directly beneficially owned Investment manager	35,984,400 97,260,000	— 35,000,000	35,984,400 132,260,000	6.28 23.09
Mr. John Zwaanstra (Note 3)	Interests of controlled corporation	97,260,000	35,000,000	132,260,000	23.09
Penta Japan Fund, Ltd. ("Penta Japan") (Note 4)	Interests of controlled corporation	66,897,000	23,333,333	90,230,333	15.76
Mr. Todd Zwaanstra (Note 5)	Trustee (other than a bare trustee)	66,897,000	23,333,333	90,230,333	15.76
Mercurius GP LLC ("Mercurius") (Note 6)	Founder of a discretionary trust	66,897,000	23,333,333	90,230,333	15.76

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Notes:

1. Sparta Assets, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.
2. These include (i) an interest in 97,260,000 Shares and (ii) a derivative interest in 35,000,000 shares.
3. Mr. John Zwaanstra has declared the interest and derivative interest in the same shares in which Penta has declared the same interests as Penta is his controlled corporation.
4. These include (i) an interest in 66,897,000 shares and (ii) a derivative interest in 23,333,333 shares.
5. Mr. Todd Zwaanstra has declared the interest and derivative interest in the same Shares in which Penta Japan has declared the same interests pursuant to his capacity as trustee of the Mercurius Partners Trust and as Penta Japan is his controlled corporation.
6. Mercurius has declared the interest and derivative interest in the same Shares in which Penta Japan has declared the same interests in its capacity as founder of Mercurius Partners Trust.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, at 30 September 2007, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 period.

CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2007, the Company's corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules. The Directors consider that the Company has complied with the Code throughout the six months ended 30 September 2007, with the following derivations:

CORPORATE GOVERNANCE (CONTINUED)

Code Provision A4.1

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2007.

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.

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2007. The audit committee comprise of three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Wong Shing Kay, Oliver is the Chairman of the committee.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors of the Company are Mr. Wang Ke Duan, Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Mr. Keung Kwok Cheung, and Mr. Ong Chi King, and the independent non-executive Directors are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po, and Mr. Wong Shing Kay, Oliver.

On behalf of the board of directors

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong, 27 December 2007