



# Deson Development International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code : 262)



## INTERIM REPORT 2016

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 2016 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 September 2015 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>REVENUE</b>	3	<b>642,189</b>	399,965
Cost of sales		<b>(515,883)</b>	(363,359)
Gross profit		<b>126,306</b>	36,606
Fair value gain on investment properties, net	10	<b>2,223</b>	–
Other income and gains	3	<b>16,137</b>	30,853
Administrative expenses		<b>(43,809)</b>	(47,132)
Other operating income, net		<b>3,264</b>	569
Finance costs	5	<b>(22,952)</b>	(8,441)
Share of profits and losses of associates		<b>3,008</b>	406
<b>PROFIT BEFORE TAX</b>	4	<b>84,177</b>	12,861
Income tax expense	6	<b>(27,299)</b>	(6,428)
<b>PROFIT FOR THE PERIOD</b>		<b>56,878</b>	6,433

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 September 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Attributable to:			
Owners of the Company		32,605	4,192
Non-controlling interests		24,273	2,241
		<u>56,878</u>	<u>6,433</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic		<u>HK3.33 cents</u>	<u>HK0.64 cent</u>
Diluted		<u>HK3.33 cents</u>	<u>HK0.64 cent</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>PROFIT FOR THE PERIOD</b>	<b><u>56,878</u></b>	<b><u>6,433</u></b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	<b>(2,801)</b>	(400)
Exchange differences on translation of foreign operations	<b><u>(37,609)</u></b>	<u>(16,070)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b><u>(40,410)</u></b>	<u>(16,470)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b><u>16,468</u></b>	<b><u>(10,037)</u></b>
Attributable to:		
Owners of the Company	<b>(6,976)</b>	(11,938)
Non-controlling interests	<b><u>23,444</u></b>	<u>1,901</u>
	<b><u>16,468</u></b>	<b><u>(10,037)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2016

		<b>30 September</b>	31 March
		<b>2016</b>	2016
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
			(Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>215,789</b>	221,282
Investment properties	10	<b>894,882</b>	1,056,900
Goodwill		–	–
Investments in associates		<b>(3,009)</b>	127
Available-for-sale investments		<b>21,641</b>	21,641
Pledged deposits		<b>446,600</b>	462,000
		<hr/>	<hr/>
Total non-current assets		<b>1,575,903</b>	1,761,950
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Amounts due from associates		<b>573</b>	4,964
Amount due from an investee		<b>100</b>	100
Amount due from a related company		<b>1,573</b>	1,347
Properties held for sale under development and properties held for sale	11	<b>1,012,934</b>	1,075,959
Gross amount due from contract customers		<b>31,633</b>	31,929
Inventories		<b>11,439</b>	14,456
Accounts receivable	12	<b>108,662</b>	110,635
Prepayments, deposits and other receivables		<b>146,627</b>	80,896
Equity investments at fair value through profit or loss	13	<b>36,595</b>	8,124
Tax recoverable		<b>2,490</b>	2,490
Pledged deposits		<b>149,272</b>	152,127
Cash and cash equivalents		<b>65,183</b>	57,689
		<hr/>	<hr/>
		<b>1,567,081</b>	1,540,716
Assets of a disposal group classified as held for sale	7	<b>133,804</b>	–
		<hr/>	<hr/>
Total current assets		<b>1,700,885</b>	1,540,716
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2016

		30 September 2016	31 March 2016
	Notes	HK\$'000	HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		116,364	114,914
Accounts payable	14	24,451	47,353
Other payables and accruals		296,608	288,821
Amounts due to associates		1,267	48
Amounts due to non-controlling shareholders		1,500	1,500
Tax payable		64,954	82,301
Financial liabilities at fair value through profit or loss	15	4,526	–
Interest-bearing bank and other borrowings		771,928	653,841
		<u>1,281,598</u>	<u>1,188,778</u>
Liabilities directly associated with the assets of a disposal group classified as held for sale	7	35,300	–
Total current liabilities		<u>1,316,898</u>	<u>1,188,778</u>
<b>NET CURRENT ASSETS</b>		<u>383,987</u>	<u>351,938</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,959,890</u>	<u>2,113,888</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		394,771	560,040
Deferred tax liabilities		142,003	172,599
Convertible bonds	15	24,099	–
Total non-current liabilities		<u>560,873</u>	<u>732,639</u>
Net assets		<u>1,399,017</u>	<u>1,381,249</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	16	97,788	97,788
Reserves		1,256,802	1,262,478
		<u>1,354,590</u>	<u>1,360,266</u>
<b>Non-controlling interests</b>		<u>44,427</u>	<u>20,983</u>
Total equity		<u>1,399,017</u>	<u>1,381,249</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2015

	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	Share option reserve	Exchange fluctuation reserve	Investment revaluation reserve	Reserve funds	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	HK\$'000	HK\$'000
At 1 April 2015 (audited)	65,184	173,678	15,262	23,061	123,810	(9,240)	14,407	-	43,105	3,792	4,529	695,146	1,152,734	16,337	1,169,071
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	4,192	4,192	2,241	6,433
Other comprehensive income/(loss) for the period:															
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	-	(400)	-	-	(400)	-	(400)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(15,730)	-	-	-	(15,730)	(340)	(16,070)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	(15,730)	(400)	-	4,192	(11,938)	1,901	(10,037)
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	4,771	-	-	-	-	4,771	-	4,771
Issue of shares upon exercise of share options	58	436	-	-	-	-	-	(82)	-	-	-	-	412	-	412
Issued shares expenses	-	(10)	-	-	-	-	-	-	-	-	-	-	(10)	-	(10)
Repurchase of shares	(50)	(272)	-	-	-	-	50	-	-	-	-	(50)	(322)	-	(322)
Share repurchases expenses	-	(7)	-	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Release of revaluation reserve	-	-	-	(2,621)	-	-	-	-	-	-	-	2,621	-	-	-
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,953)	(1,953)
Final 2015 dividend declared	-	-	-	-	-	-	-	-	-	-	-	(6,517)	(6,517)	-	(6,517)
At 30 September 2015	65,192	173,825	15,262	23,061	121,189	(9,240)	14,457	4,689	27,375	3,392	4,529	695,392	1,139,123	16,285	1,155,408

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Period ended 30 September 2016

	Attributable to owners of the Company														
	Issued capital	Share premium	Contributed surplus	Other reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Share option reserve	Exchange fluctuation reserve	Investment revaluation reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016 (audited)	97,788	243,040	15,262	23,061	116,880	(9,240)	14,457	4,689	12,180	2,801	4,529	834,819	1,360,266	20,983	1,381,249
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	32,605	32,605	24,273	56,878
Other comprehensive income/(loss) for the period:															
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	-	(2,801)	-	-	(2,801)	-	(2,801)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(36,780)	-	-	-	(36,780)	(829)	(37,609)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	(36,780)	(2,801)	-	32,605	(6,976)	23,444	16,468
Release of revaluation reserve	-	-	-	-	(2,481)	-	-	-	-	-	-	2,481	-	-	-
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	-	(1,333)	-	-	-	1,333	-	-	-
Equity-settled share option arrangement	-	-	-	-	-	-	-	1,300	-	-	-	-	1,300	-	1,300
At 30 September 2016	97,788	243,040*	15,262*	23,061*	114,399*	(9,240)*	14,457*	4,656*	(24,600)*	- <sup>a</sup>	4,529*	871,238*	1,354,590	44,427	1,399,017

\* These reserve accounts comprise the consolidated reserves of HK\$1,256,802,000 (31 March 2016: HK\$1,262,478,000) in the condensed consolidated statement of financial position.

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

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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>84,177</b>	12,861
Adjustments for:			
Finance costs	5	<b>22,952</b>	8,441
Share of profits and losses of:			
Associates		<b>(3,008)</b>	(406)
Interest income		<b>(9,647)</b>	(8,659)
Loss on disposal of items of property, plant and equipment		<b>8</b>	44
Fair value gain on investment properties, net		<b>(2,223)</b>	–
Fair value gain on financial liabilities at fair value through profit or loss	4	<b>(2,919)</b>	–
Fair value gain on equity investments at fair value through profit or loss		<b>(5,038)</b>	–
Depreciation		<b>3,343</b>	2,208
Impairment of accounts receivable	4	<b>52</b>	–
Provision for inventories	4	<b>199</b>	41
Equity-settled share option expenses	4	<b>1,300</b>	4,771
		<b>89,196</b>	19,301
Decrease in properties held for sale under development and properties held for sale		<b>45,102</b>	24,925
Decrease in gross amount due from contract customers		<b>573</b>	1,026
Decrease/(increase) in inventories		<b>2,818</b>	(5,645)
Increase in equity investments at fair value through profit or loss		<b>(20,090)</b>	–
Decrease/(increase) in accounts receivable		<b>1,708</b>	(20,124)
Increase in prepayments, deposits and other receivables		<b>(82,213)</b>	(143,060)
Increase in gross amount due to contract customers		<b>1,450</b>	5,270
Increase/(decrease) in accounts payable		<b>(22,493)</b>	9,576
(Decrease)/increase in other payables and accruals		<b>(2,475)</b>	130,477
Cash from operations		<b>13,576</b>	21,746
Interest paid		<b>(34,984)</b>	(43,325)
Taxes paid		<b>(3,319)</b>	(7,552)
Net cash flows used in operating activities – page 9		<b>(24,727)</b>	(29,131)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 September 2016

	2016 HK\$'000	2015 HK\$'000
Net cash flows used in operating activities – page 8	<u>(24,727)</u>	<u>(29,131)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	9,647	8,659
Dividends received from an associate	–	400
Purchases of items of property, plant and equipment	(256)	(721)
Proceeds from disposal of items of property, plant and equipment	–	10
Repayment from/(advances to) associates, net	5,610	(43)
Advances to an investee	–	(2)
Increase in pledged deposits	(25)	(113,299)
Net cash flows from/(used in) investing activities	<u>14,976</u>	<u>(104,996)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of share option	–	412
Share issue expenses	–	(10)
Repurchase of the Company's shares	–	(322)
Share repurchase expenses	–	(7)
Proceed of convertible bonds	30,900	–
Transaction cost of convertible bonds	(725)	–
New bank borrowings	48,097	344,237
Repayment of bank and other borrowings	(58,771)	(205,713)
Movement in balances with a related company, net	(226)	(282)
Dividends paid	–	(8,470)
Net cash flows from financing activities	<u>19,275</u>	<u>129,845</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>9,524</b>	<b>(4,282)</b>
Cash and cash equivalents at beginning of period	29,503	63,054
Effect of foreign exchange rate changes, net	(707)	(9,404)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>38,320</u></b>	<b><u>49,368</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the statement of financial position	65,183	74,089
Cash and cash equivalents attributable to assets of a disposal group classified as held for sale	3,161	–
Bank overdrafts, secured	(30,024)	(24,721)
Cash and cash equivalents as stated in the statement of cash flows	<b><u>38,320</u></b>	<b><u>49,368</u></b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, and investment properties, which have been measured at fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2016.

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 2016, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) for the first time in the current period.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of these new and revised HKFRSs in current period has had no significant financial effect on these financial statements.

## 2. OPERATING SEGMENT INFORMATION

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

- (a) the construction business segment is engaged in construction contract works as a main contractor and decoration, as well as the provision of electrical and mechanical engineering services;
- (b) the property development and investment business segment is engaged in property development of residential and commercial properties and holding of investment properties;
- (c) the investment in securities; and
- (d) the “others” segment comprises, principally, trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products of construction market.

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

Segment assets exclude investments in associates, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank and other borrowings, tax payable and deferred tax liabilities, as these liabilities are managed on a group basis.

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

## 2. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September

	Construction business		Property development and investment business		Investment in securities		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	446,455	370,025	143,824	15,264	37,751	-	14,159	14,676	642,189	399,965
Other income and gains	575	648	5,808	21,086	-	-	107	460	6,490	22,194
Revenue	<u>447,030</u>	<u>370,673</u>	<u>149,632</u>	<u>36,350</u>	<u>37,751</u>	<u>-</u>	<u>14,266</u>	<u>15,136</u>	<u>648,679</u>	<u>422,159</u>
<b>Segment results</b>										
Operating profit	10,537	8,431	46,359	8,846	37,751	-	3,134	3,536	97,781	20,813
<i>Reconciliation:</i>										
Interest income									9,647	8,659
Unallocated expenses									(6,226)	(8,576)
Fair value gain on financial liabilities at fair value through profit or loss									2,919	-
Finance costs									(22,952)	(8,441)
Share of profits of associates									<u>3,008</u>	<u>406</u>
Profit before tax									<u>84,177</u>	<u>12,861</u>

## 2. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2016 and 31 March 2016:

	Construction business <i>HK\$'000</i>	Property development and investment business <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>30 September 2016</b>					
<b>Segment assets</b>	189,914	2,201,665	32,709	30,493	2,454,781
<i>Reconciliation:</i>					
Investments in associates					(3,009)
Corporate and other unallocated assets					691,212
Assets related to a discontinued operation					133,804
Total assets					<u><u>3,276,788</u></u>
<b>Segment liabilities</b>	147,152	1,373,956	–	8,355	1,529,463
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					313,008
Liabilities related to a discontinued operation					35,300
Total liabilities					<u><u>1,877,771</u></u>

## 2. OPERATING SEGMENT INFORMATION (CONTINUED)

	Construction business HK\$'000	Property development and investment business HK\$'000	Others HK\$'000	Total HK\$'000
<b>31 March 2016</b>				
<b>Segment assets</b>	227,687	2,344,982	29,193	2,601,862
<i>Reconciliation:</i>				
Investments in associates				127
Corporate and other unallocated assets				700,677
Total assets				<u>3,302,666</u>
<b>Segment liabilities</b>	195,108	1,335,017	11,776	1,541,901
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				379,516
Total liabilities				<u>1,921,417</u>

For the six months ended 30 September

	Construction business		Property development and investment business		Investment in securities		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other segment information:</b>										
Loss on disposal of items of property, plant and equipment	-	44	-	-	-	-	8	-	8	44
Impairment of accounts receivable	-	-	-	-	-	-	52	-	52	-
Provision for inventories	-	-	112	-	-	-	87	41	199	41
Depreciation	<u>403</u>	<u>417</u>	<u>2,888</u>	<u>1,755</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>36</u>	<u>3,343</u>	<u>2,208</u>

### 3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue from construction contracts; income from property development and investment business; the net invoiced value of goods sold, after allowance for returns and trade discounts, and provision of related installation and maintenance services; and income from the sales of marketable securities.

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

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Income from construction contracting and related business	<b>446,455</b>	370,025
Income from property development and investment business	<b>143,824</b>	15,264
Income from trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products of construction market	<b>14,159</b>	14,676
Income from investment in securities	<b>37,751</b>	–
	<b><u>642,189</u></b>	<b><u>399,965</u></b>
<b>Other income and gains</b>		
Bank interest income	<b>9,647</b>	8,659
Gross rental income	<b>4,178</b>	19,989
Others	<b>2,312</b>	2,205
	<b><u>16,137</u></b>	<b><u>30,853</u></b>



#### 4. PROFIT BEFORE TAX

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

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Cost of properties sold	<b>81,914</b>	5,266
Cost of construction contracting	<b>424,445</b>	348,800
Cost of inventories sold and services provided	<b>9,524</b>	9,293
Depreciation	<b>3,343</b>	2,208
Minimum lease payments under operating leases on land and buildings	<b>659</b>	704
Loss on disposal of items of property, plant and equipment <sup>^</sup>	<b>8</b>	44
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>25,937</b>	24,832
Equity-settled share option expenses	<b>1,300</b>	4,771
Pension schemes contributions*	<b>679</b>	512
Less: Amount capitalised	<b>(7,657)</b>	(6,457)
	<b>20,259</b>	23,658
Directors' remuneration:		
Fee	<b>180</b>	188
Salaries and allowances	<b>1,838</b>	1,781
Equity-settled share option expenses	<b>452</b>	1,600
Pension schemes contributions	<b>23</b>	23
	<b>2,493</b>	3,592
Provision for inventories, included in cost of inventories sold	<b>199</b>	41
Impairment of accounts receivable <sup>^</sup>	<b>52</b>	–
Foreign exchange differences, net <sup>^</sup>	<b>(405)</b>	(613)
Fair value gain on financial liabilities at fair value through profit or loss <sup>^</sup>	<b>(2,919)</b>	–

\* At 30 September 2016, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2015: Nil).

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Interest on bank and other borrowings (including convertible bonds)	<b>36,353</b>	43,326
Less: Interest capitalised	<b>(13,401)</b>	(34,885)
	<b><u>22,952</u></b>	<u>8,441</u>

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period (2015: 16.5%), unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	–	400
Current – Elsewhere		
Charge for the period	<b>7,026</b>	3,653
Overprovision in prior years	<b>(2,095)</b>	–
Deferred	<b>1,428</b>	373
LAT in Mainland China	<b>20,940</b>	2,002
	<b><u>27,299</u></b>	<u>6,428</u>

## 7. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 30 September 2016, the Company announced the decision of its board of directors to dispose of Yew Siang Limited (“**Yew Siang**”). Yew Siang is engaged in property development business. The disposal of Yew Siang is due to be completed in January 2017. As at 30 September 2016, as the disposal of Yew Siang is still pending for completion, and Yew Siang and its subsidiary (“**Yew Siang Group**”) were classified as a disposal group held for sale.

The major classes of assets and liabilities of Yew Siang Group classified as held for sale as at 30 September 2016 are as follows:

	<b>2016</b> <b>HK\$'000</b>
<b>Assets</b>	
Property, plant and equipment	465
Investment properties	128,992
Properties held for sale	635
Prepayments, deposits and other receivables	551
Cash and cash equivalents	3,161
	<hr/>
Assets classified as held for sale	133,804
	<hr/>
<b>Liabilities</b>	
Other payables and accruals	(31,069)
Tax payables	37,583
Deferred tax liabilities	28,786
	<hr/>
Liabilities directly associated with the assets classified as held for sale	35,300
	<hr/>
Net assets directly associated with the Yew Siang Group	<u>98,504</u>

## 8. INTERIM DIVIDEND

The Board of Directors does not recommend the payment of interim dividend in respect of the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 977,880,400 (30 September 2015: 651,721,360) in issue during the period.

No adjustment was made to the basic earnings per share amount presented for the six months ended 30 September 2016 and 2015 as the impact of share options had an anti-dilutive effect on the basic earnings per share amount for both periods end.

## 10. INVESTMENT PROPERTIES

	<b>30 September 2016 HK\$'000</b>	31 March 2016 HK\$'000
Carrying amount at 1 April	<b>1,056,900</b>	535,184
Net gain from fair value adjustment	<b>2,223</b>	261,921
Transferred from completed properties held for sale	–	277,059
Transferred to asset of a disposal group classified as held for sale	<b>(128,992)</b>	–
Exchange realignment	<b>(35,249)</b>	(17,264)
	<hr/> <b>894,882</b> <hr/>	<hr/> 1,056,900 <hr/>
Carrying amount at 30 September/31 March	<b>894,882</b>	1,056,900

As at 30 September 2016, investment properties of the Group with a carrying amount of HK\$884,384,000 (31 March 2016: HK\$1,046,040,000) were leased to independent third parties.

## 11. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	<b>30 September 2016</b>	31 March 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed properties held for sale	<b>620,696</b>	733,223
Properties held for sale under development	<b>392,238</b>	342,736
	<b><u>1,012,934</u></b>	<u>1,075,959</u>
Properties held for sale under development – expected to be recovered:		
Within one year	<b><u>1,012,934</u></b>	<u>1,075,959</u>

As at 30 September 2016, certain completed properties held for sale and properties held for sale under development of the Group with an aggregate carrying amount of HK\$366,440,000 (31 March 2016: HK\$234,403,000) were pledged to secure certain banking facilities granted to the Group.

## 12. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally 14 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. For retention monies receivable in respect of construction works carried out by the Group, the due dates are usually one year after the completion of the construction work. 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.

## 12. ACCOUNTS RECEIVABLE (CONTINUED)

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

	<b>30 September 2016 HK\$'000</b>	31 March 2016 HK\$'000
Current to 90 days	<b>47,670</b>	59,312
91 to 180 days	<b>9,315</b>	6,177
181 to 360 days	<b>4,949</b>	848
Over 360 days	<b>1,762</b>	1,648
	<b>63,696</b>	67,985
Retention monies receivable	<b>44,966</b>	42,650
Total	<b><u>108,662</u></b>	<u>110,635</u>

## 13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 September 2016 HK\$'000</b>	31 March 2016 HK\$'000
Listed equity investments, at market value	<b><u>36,595</u></b>	<u>8,124</u>

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

#### 14. ACCOUNTS PAYABLE

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

	<b>30 September 2016 HK\$'000</b>	31 March 2016 HK\$'000
Current to 90 days	<b>11,950</b>	33,577
91 to 180 days	<b>2,654</b>	3,677
181 to 360 days	<b>231</b>	–
Over 360 days	<b>9,616</b>	10,099
	<u><b>24,451</b></u>	<u>47,353</u>

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

#### 15. CONVERTIBLE BONDS

On 29 March 2016, the Group entered into a placing agreement with a placing agent, Koala Securities Limited (the “**Placing Agent**”), pursuant to which a subsidiary of the Company, has placed, through the Placing Agent, convertible bonds (“**Convertible Bonds**”) with principal amounts of HK\$30,900,000 at the conversion price of HK\$0.30 per share of the subsidiary and the annual coupon rate is 2%. The Convertible Bonds will mature on 17 April 2019.

The Convertible Bonds contained two components, liability and derivative components. The initial fair value of both components combined was determined based on gross proceeds at issuance. The initial fair value of the derivative component was estimated to be approximately HK\$7,445,000 as at the issuance date using the Crank-Nicolson finite difference method, taking into accounts the terms and conditions of the Convertible Bonds. In subsequent periods, derivative component is measured at fair value with changes in fair value recognised in profit or loss. The residual amount, representing the value of the liability component at approximately HK\$23,455,000, was subsequently measured at amortised cost using effective interest rate method. The effective interest rate of the liability component of the Convertible Bonds is 9.13% per annum.

15. CONVERTIBLE BONDS (CONTINUED)

	Liabilities component HK\$'000	Derivative component HK\$'000
At issue date	23,455	7,445
Transaction cost	(725)	–
Interest charge	1,369	–
Changes in fair value	–	(2,919)
	<u>24,099</u>	<u>4,526</u>
At 30 September 2016	<u>24,099</u>	<u>4,526</u>

16. SHARE CAPITAL

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Authorised:		
1,500,000,000 (31 March 2016: 1,500,000,000) ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
977,880,400 (31 March 2016: 977,880,400) ordinary shares of HK\$0.10 each	<u>97,788</u>	<u>97,788</u>

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

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2016 and 30 September 2016	<u>977,880,400</u>	<u>97,788</u>	<u>243,040</u>	<u>340,828</u>



## 17. OPERATING LEASE COMMITMENTS

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

At 30 September 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2016 HK\$'000</b>	31 March 2016 HK\$'000
Within one year	<b>659</b>	810
In the second to fifth years, inclusive	<b>2,483</b>	2,690
After five years	<b>418</b>	606
	<b><u>3,560</u></b>	<u>4,106</u>

## 18. 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:

	<i>Notes</i>	<b>2016 HK\$'000</b>	2015 HK\$'000
Management fees received from associates	<i>(i)</i>	–	396
Management fees received from a related company	<i>(i)</i>	<b>28</b>	28
Rental income received from related companies	<i>(ii)</i>	<b><u>181</u></b>	<u>215</u>

*Notes:*

- (i) The management fees were charged by reference to actual costs incurred for the services provided by the Group.
- (ii) During the period, the rental income was charged to Fitness Concept Limited (“FCL”) and 上海美格菲健身中心有限公司 (“SH Megafit”) at HK\$26,000 and RMB8,333 per month respectively. Mr. Tjia Boen Sien is a director of and has beneficial interests in the Company, FCL and SH Megafit.

## 18. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) Outstanding balances with related parties:

Details of the Group's balances with its associates, non-controlling shareholders and related companies as at the end of the reporting period are included in the financial statements.

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

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

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

## 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:

### Group

	Carrying amounts		Fair values	
	30 September 2016 HK\$'000	31 March 2016 HK\$'000	30 September 2016 HK\$'000	31 March 2016 HK\$'000
<b>Financial asset</b>				
Equity investments at fair value through profit or loss	<u>36,595</u>	<u>8,124</u>	<u>36,595</u>	<u>8,124</u>
<b>Financial liabilities</b>				
Interest-bearing bank borrowings	446,971	618,240	446,971	618,240
Financial liabilities at fair value through profit or loss	<u>4,526</u>	<u>–</u>	<u>4,526</u>	<u>–</u>
	<u>451,497</u>	<u>618,240</u>	<u>451,497</u>	<u>618,240</u>

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(CONTINUED)

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, accounts receivables, accounts payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, financial liabilities at fair value through profit or loss and amounts due from/to subsidiaries, a joint venture, associates and a related company 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 the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

### 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 2016

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments at fair value through profit or loss	36,595	-	-	36,595

**19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**  
(CONTINUED)

**Fair value hierarchy (continued)**

*Assets measured at fair value: (continued)*

As at 31 March 2016

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments at fair value through profit or loss	8,124	–	–	8,124

*Liabilities measured at fair value:*

As at 30 September 2016

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial liabilities at fair value through profit or loss	–	–	4,526	4,526

The Group did not have any financial liabilities measured at fair value as at 31 March 2016.

As at 30 September 2016, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings of HK\$446,971,000 (31 March 2016: HK\$618,240,000). 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 observable, either directly or indirectly (Level 3).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 March 2016: Nil).

## 20. EVENTS AFTER THE REPORTING PERIOD

On 30 September 2016, Deson Ventures Limited (“**DVL**”), an indirect wholly owned subsidiary of the Company, has entered into the shareholders’ agreement (“**Shareholders’ Agreement**”) with Hoverjet Limited (“**Hoverjet**”) to establish New Leaves Limited (“**Joint Venture**”). Pursuant to the Shareholders’ Agreement, Hoverjet has transferred 30 shares, representing 30% of the issued and paid-up share capital of the Joint Venture to the DVL for the consideration of US\$30. Upon completion of such a transfer of the shares, the Joint Venture is owned as to 70% by Hoverjet and 30% by the DVL.

The Joint Venture is set up for the purpose of the disposal of Yew Siang, an indirect wholly owned subsidiary of the Company. The Joint Venture will be the holding company of Yew Siang Group.

On 30 September 2016, DVL, as the vendor, the Company, as the guarantor, and the Joint Venture, as the purchaser, entered into a sales and purchase agreement (“**Agreement**”), pursuant to which, DVL has agreed to sell entire issued share capital of the Yew Siang at a consideration of approximately RMB82,100,000 (subject to adjustments) to the Joint Venture.

Completion of the Agreement is subject to and conditional upon the shareholders’ approval of the Company and other condition precedents. The transaction is expected to be completed in January 2017.

Details of the transaction are set out in the announcement of the Company dated 30 September 2016 and the circular of the Company dated 24 October 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2016 recorded at HK\$642,189,000, which represented an increase of 61% as compared with the same period last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$32,605,000 representing an increase of 678% as compared with the same period last year. The increase was mainly due to (i) the sales of six-floor offices (6,235 square ("sq") metre) to a customer with sales proceeds amounted to approximately HK\$112 million and income recognised (before taxation) amounted to approximately HK\$44 million; and (ii) during the last quarter of the year ended 31 March 2016, the Group, through its subsidiary, Deson Construction International Holdings Limited ("**DCIHL**") which was separately listed on the Growth Enterprise Market ("**GEM**"), has developed a new business segment, which includes long-term and short-term investments in marketable securities and other related financial and/or investment products and opportunities (including without limitation fixed income products, foreign exchange products, commodities and related products, investment funds, pre-IPO investment opportunities, etc.) (the "**New Business**"). Earnings per share is approximately HK3.33 cents.

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

## BUSINESS REVIEW (CONTINUED)

During the Reporting Period, China's property market sentiment was positive and the Group's projects in Mainland China, which benefited from favourable Government policies, performed satisfactorily. During the six months ended 30 September 2016, segment operating profit generated from the property development and investment business increased by 424% as compared to same period last year. This is mainly due to the effect of a significant sale of offices of Expo at Kaifeng during the period. Turnover generated from the sale of property increased by 842% from HK\$15,264,000 for the period ended 30 September 2015 to HK\$143,824,000 for same period in current year.

Regarding the construction segment, during the six months ended 30 September 2016, the Group completed or substantially completed projects such as acting as the main contractor for the development of one residential house and associated external works including construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong, fitting-out works including E&M works for three Prada/Miu Miu shops at Wynn Palace, Macau, fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, fitting-out works, air-conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for a staff social center in Suning, Hebei, PRC.

The New Business commenced in the last quarter of the year ended 31 March 2016. As at 30 September 2016, the Group held approximately HK\$33 million of equity investments which are classified as "equity investments at fair value through profit or loss". As the overall market condition of the Hong Kong stock market improves, the Group records a realised gain and a net unrealised gain of approximately HK\$33 million and HK\$5 million respectively. Details of the Group's market securities are disclosed under the section "**SIGNIFICANT INVESTMENTS**".

## BUSINESS REVIEW (CONTINUED)

On 30 September 2016, the Group entered into a sale and purchase agreement to dispose of 70% equity interest of Yew Siang (“**Disposal**”), an indirect wholly owned subsidiary, to an independent third party. The Yew Siang Group owns the Starway Parkview South Station Hotel. It is intended that it will be converted into and operated as a service apartment. Details of the Disposal are set out in note 20 to the condensed financial statements.

The Disposal is expected to be completed in January 2017.

## FINANCIAL REVIEW

### Turnover

For the six months ended 30 September 2016, the Group’s turnover amounted to HK\$642 million, increased by 61% as compared to the same period last year. The increase was mainly contributed by (i) the increase in the sale of properties at the PRC; (ii) more revenue was recognized for E&M projects that were granted after last period end; and (iii) the commencement of the New Business since last quarter of the year ended 31 March 2016. Turnover generated from property development and investment business, construction contracting business, investment in securities business and other business amounted to approximately HK\$144 million, HK\$446 million, HK\$38 million and HK\$14 million respectively, which represent an increase of 842%, an increase of 21%, an increase of 100% and a decrease of 4% respectively as compared the same period last year.

### Gross profit margin

During the six months ended 30 September 2016, the Group’s gross profit margin was approximately 20%, up by 11% as compared to last period’s 9%. This was mainly driven by the increase of realised gain and unrealised gain for the investment in securities in marketable securities which started from the last quarter for the year ended 31 March 2016.



## FINANCIAL REVIEW (CONTINUED)

### Liquidity and financial resources

As at 30 September 2016, the Group had total assets of HK\$3,276,788,000, which has been financed by total liabilities, shareholders' equity and non-controlling interests of HK\$1,877,771,000, HK\$1,354,590,000 and HK\$44,427,000, respectively. The Group's current ratio at 30 September 2016 was 1.29 compared to 1.30 at 31 March 2016.

The gearing ratio for the Group as at 30 September 2016 was 29% (31 March 2016: 35%). It was calculated based on the non-current liabilities of HK\$560,873,000 (31 March 2016: HK\$732,639,000) and long term capital (equity and non-current liabilities) of HK\$1,959,890,000 (31 March 2016: HK\$2,113,888,000).

### Capital expenditure

Total capital expenditure for the six months ended 30 September 2016 was approximately HK\$246,000, which were mainly used in the purchase of office equipment.

### Contingent liabilities

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

### Commitments

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

## FINANCIAL REVIEW (CONTINUED)

### Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of certain leasehold land and buildings of the Group situated in Hong Kong of HK\$142,869,000 (31 March 2016: HK\$145,500,000);
- (ii) the pledge of certain investment properties of the Group situated in Mainland China, which had an aggregate carrying value at the end of reporting period of HK\$523,160,000 (31 March 2016: HK\$541,200,000);
- (iii) the pledge of certain properties held for sale under development and properties held for sale of the Group situated in Mainland China of HK\$366,440,000 (31 March 2016: HK\$234,403,000); and
- (iv) the pledge of the Group's deposits of HK\$595,872,000 (31 March 2016: HK\$614,127,000).

### Treasury policies

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

## FINANCIAL REVIEW (CONTINUED)

### Exchange risk exposure

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

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

### SIGNIFICANT INVESTMENTS

As at 30 September 2016, the Group held approximately HK\$33 million equity investments at fair value through profit or loss from the New Business. Details of the significant investments are as follows:

	Notes	Stock code	Place of incorporation	Fair value gain/(loss) HK\$'000	Market values HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %
Master Glory Group Limited	1	275	Bermuda	820	1,820	6
China Information Technology Development Limited	2	8178	Cayman Islands	4,666	17,697	54
First Credit Finance Group Limited	3	8215	Cayman Islands	372	1,825	6
Leap Holdings Group Limited	4	1499	Cayman Islands	(880)	9,601	29
Shun Wo Group Holdings Limited	5	1591	Cayman Islands	60	1,766	5

## SIGNIFICANT INVESTMENTS (CONTINUED)

### Notes:

1. Master Glory Group Limited is principally engaged in (i) trading of securities – trading of investments held for trading; (ii) property development trading – development and sale of properties; and (iii) water supply – provision of water. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$3,736,066,000 as at 31 March 2016.
2. China Information Technology Development Limited is principally engaged in (A) the software development and system integration segment in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services; and (B) the in-house developed products segment in the lease of in-house developed computer hardware. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$584,193,000 as at 30 June 2016.
3. First Credit Finance Group Limited is principally engaged in provision and arrangement of credit facilities in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$906,408,000 as at 30 June 2016.
4. Leap Holdings Group Limited is principally engaged in (i) foundation works and ancillary services: Provision of site formation works, excavation and lateral support works, piling construction, pile caps or footing construction and reinforced concrete structure works and ancillary services mainly included hoarding and demolition works and lease of machinery; and (ii) construction wastes handling: Provision of management and operation of public fill reception facilities, including public fill banks and temporary construction waste sorting facilities, for construction and demolition materials. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$166,461,000 as at 31 March 2016.
5. Shun Wo Group Holdings Limited is principally engaged in acting as contractor engaged in undertaking foundation works in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$62,029,000 as at 31 March 2016.

## SIGNIFICANT INVESTMENTS (CONTINUED)

During the six months ended 30 September 2016, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$73 million and income recognised in revenue for the amount of approximately HK\$33 million. Details of the transactions are as follows:

	<b>Stock code</b>	<b>Place of incorporation</b>	<b>Sales proceeds</b> <i>HK\$'000</i>	<b>Realised gain/(loss)</b> <i>HK\$'000</i>
Wealth Glory Holdings Limited	8269	Cayman Islands	7,299	(412)
AP Rentals Holdings Limited	1496	Cayman Islands	5,796	2,009
Hypebeast Limited	8359	Cayman Islands	25,320	21,380
Expert Systems Holdings Limited	8319	Cayman Islands	5,728	3,455
Ever Harvest Group Holdings Limited	1549	Cayman Islands	5,241	468
Sandmartin International Holdings Limited	482	Bermuda	1,118	(165)
Royal Catering Group Holdings Company Limited	8300	Cayman Islands	9,338	4,793
CROSSTEC Group Holdings Limited	3893	Cayman Islands	2,552	280
Shun Wo Group Holdings Limited	1591	Cayman Islands	8,088	995
Huisheng International Holdings Limited	1340	Cayman Islands	2,831	(90)

In view of the recent volatile and weakness in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

## PROSPECT

### Property development and investment

On 9 June 2005, the Group was granted the land use rights of a development site in the Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 221,000 square (“sq.”) metres. Up to now, construction for a total gross floor area of 190,000 sq. metres was completed and the total sales contract sum achieved amounted to approximately RMB754 million. The remaining portions of the complex are under construction. The process is going well and it is expected that the construction will be completed by 2017.

On 16 February 2012, the Group successfully won a bid for the acquisition of land use right of a residential and commercial site in the city of Kaifeng. The Directors intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 100,000 sq. metres. Up to now, construction for a gross floor area of 20,000 sq. metres was completed. It includes two commercial buildings with gross floor area of 15,000 sq. metres and an animation theatre with gross floor area of around 5,000 sq. metres. The total sales contract sum achieved from the sales of commercial properties amounted to approximately RMB139 million. The animation theatre is named as “Qing-Ming Riverside Anime Exhibition” and is used to show the animation of 清明上河圖 which was shown in the 2010 Shanghai Expo. It is planned to become a tourist spot at Kaifeng City. It is expected the construction of the whole project will be completed by 2018.

In September 2014, the Group was granted another land use right in the city of Kaifeng, PRC, namely as Zhu Ji Lane (“珠幾巷”). The Group intended to develop a commercial street project with a total gross floor area of approximately 13,000 sq. metres. It was put in use in the 27th World Hakka Conference held in October 2014. As of now, the project has been completed. The total contract sum achieved for the sales of this area amounted to approximately RMB3 million. Most of the units have already been rented out during the period.

## PROSPECT (CONTINUED)

### Property development and investment (Continued)

In the first half of 2016, the Central Government continued its relaxation policies towards the property sector on the mainland, with the lowering of down-payment proportion, alleviation of tax charges and easing of credit. This served to spur demand across all cities, which rendered an overall increase in price and volume in the property market. The local governments, to cope with their own conditions and specific needs, adopted different policies to regulate the market demand and supply. To bring about the long term and healthy development of the property market, many significant policies were put forward by the Central Government during the period, which included the stimulation of both end-user and upgrading demands, the establishment of a housing regime to accommodate rental and buying demands, the implementation of the reform from Business Tax to Value Added Tax in the real estate sector, as well as the comprehensive registration of the immovable assets nationwide.

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

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

## PROSPECT (CONTINUED)

### **Construction business (including E&M works)**

The Group will uphold an on-going parallel development of its construction business (including building construction and E&M works) in the PRC, Hong Kong and Macau. To cope with the difficulties encountered in the construction and engineering industry, the Company had adopted a prudent strategy in project tendering.

With its proven track records and adequate expertise in the main contracting business, the Group obtained “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 licence 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”, the 11 licences 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” and Specialist Contractor (site formation works category) by the Building Department, the Group is well-equipped to take an active part in the construction business development.

During the Reporting Period, new projects such as site formation and foundation works for residential re-development at Peak Road, Hong Kong, addition and alteration works at East-Point Centre, Causeway Bay, Hong Kong, fitting-out works including electrical and mechanical works for three Prada/Miu Miu shops at City of Dreams, Macau, construction works of Beijing subway Line 1, Beijing, China, subcontracting fitting-out works for the redevelopment of residential buildings and carparks at ChangPing District, Beijing and fitting-out works of offices at Jintian Film and Television Industrial Park, Beijing. As at the date of this report, the Group had contracts on hand with a total contract sum of over HK\$1,523 million.

With the Group’s proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group could strengthen its position in the Hong Kong market and diversify its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers.



## PROSPECT (CONTINUED)

### **Construction business (including E&M works)** *(Continued)*

While the outlook for the construction industry in Hong Kong looks promising in the long run, there remains challenges that are unlikely to dissipate in the near future. They include continuous rising labour wages and cost of construction materials and shortage of skilled labour. In addition, the sluggish progress of deliberation in the Legislative Council, which has resulted in the mounting backlog of funding proposals, also delays the rolling out of public infrastructure works in Hong Kong. The business and profitability of the Group may be affected if such delay continues.

The Group is currently operating in the developed cities in the PRC. Urbanisation of the PRC is expected to continue at a rapid pace, in particular, in the third-and fourth-tier cities of the country. With the Group's expertise and experience in the PRC market, the Directors believe that the Group can seize such opportunities and focus on expanding its business in the third-and fourth-tier cities in the PRC.

Looking forward, the Directors consider that the future opportunities and challenges which the Group faces will be affected by the development of the property market in Hong Kong as well as factors affecting the labour and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong is the key driver for the growth of the Hong Kong building services industry.

With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) further expanding the Group's service scope by applying for additional licences, permits or qualifications which may be required; (ii) exercise more caution when tendering for new construction contracts and continue to selectively undertake new contracts; and (iii) further strengthening the Group's construction department through recruiting additional qualified and experienced staff.

## PROSPECT (CONTINUED)

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

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

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

Going forward, the uncertainty in the global economy and the decline in economic growth in the PRC will continue to pose challenges to the business. The tightening policies such as restrictions on home purchase as part of its efforts to control inflation and maintain a stable and healthy economic growth, has caused certain negative impact on the mainland property market. However, it is expected the economy of the PRC will still maintain a healthy growth. Hong Kong remains well positioned to benefit from the PRC's continuing growth and development, as such, the Group remains optimistic in the long run and has confidence in the growth momentum in the PRC and Hong Kong.

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

## PROSPECT (CONTINUED)

### Investment in securities

Regarding the New Business in investments in securities by DCIHL, DCIHL has set up a Treasury Management Committee (“**Treasury Management Committee**”) to implement the investment policy and guidelines on behalf of DCIHL. The Treasury Management Committee comprises one chairman and two committee members (comprising two directors and the financial controller of DCIHL, including at least one executive director of DCIHL who acts as the investment manager). The board of directors of DCIHL will adopt cautious measures to manage this business activity aiming at generating additional investment return on available funds of the DCIHL and its subsidiaries from time to time.

### SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Except for the Disposal mentioned in note 20 to the condensed financial statements, during the six months ended 30 September 2016, 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 report, the Group did not have other plans for material investment or capital assets as at 30 September 2016.

### HUMAN RESOURCES

As at 30 September 2016, the Group had 299 employees, 184 of whom were based in the PRC. The total employee benefits expenses including directors’ emoluments for the period under review decreased to approximately HK\$20 million from approximately HK\$24 million in the same period last year. The decrease was mainly due to more staff cost were capitalised to projects and the decrease of share option expenses recognised during the 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 Company offers discretionary bonuses and share options to staff based on their individual performance and the achievements in relation to the Company’s targets.

## SHARE OPTION SCHEME

### The Company's share option scheme

On 13 August 2012, the share option scheme of the Company adopted on 14 August 2002 ceased to operate and a new share option scheme (the “**Scheme**”) was adopted on 15 August 2012 to comply with the requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. There was no outstanding share option under the old scheme upon its cessation.

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 15 August 2012 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 Group at the adoption date of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

## SHARE OPTION SCHEME (CONTINUED)

### The Company's share option scheme (Continued)

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

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

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

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	Price of the Company's shares**	
	At 1 April 2016	Granted during the period	Lapsed during the period	At 30 September 2016			Exercise price of share options* HK\$ per share	At grant date of options HK\$ per share
<b>Directors</b>								
Lu Quanzhang	500,000	-	(500,000)	-	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	500,000	-	-	500,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	500,000	-	-	500,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Tija Boen Sien	180,000	-	(180,000)	-	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	160,000	-	-	160,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	-	-	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Wang Jing Ning	1,000,000	-	(1,000,000)	-	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	2,000,000	-	-	2,000,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	2,000,000	-	-	2,000,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71

## SHARE OPTION SCHEME (CONTINUED)

### The Company's share option scheme (Continued)

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	Price of the Company's shares**	
	At 1 April 2016	Granted during the period	Lapsed during the period	At 30 September 2016			Exercise price of share options* HK\$ per share	At grant date of options HK\$ per share
<b>Directors (Continued)</b>								
Tjia Wai Yip, William	1,000,000	-	(1,000,000)	-	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	2,000,000	-	-	2,000,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	2,000,000	-	-	2,000,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Ho Chung Tai, Raymond	180,000	-	(180,000)	-	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	160,000	-	-	160,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	-	-	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Siu Man Po	160,000	-	-	160,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	-	-	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Siu Kam Chau	180,000	-	(180,000)	-	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	160,000	-	-	160,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	-	-	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
	<u>13,320,000</u>	<u>-</u>	<u>(3,040,000)</u>	<u>10,280,000</u>				
Other employees, in aggregate	6,380,000	-	(6,380,000)	-	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	10,120,000	-	-	10,120,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	9,600,000	-	-	9,600,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Total	<u>39,420,000</u>	<u>-</u>	<u>(9,420,000)</u>	<u>30,000,000</u>				

## SHARE OPTION SCHEME (CONTINUED)

### The Company's share option scheme (Continued)

- \* 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. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing price immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

The fair value of the share options granted on 17 April 2015 was HK\$6,124,000 (HK\$0.15 each), of which the Group recognised a share option expense of HK\$1,300,000 (period ended 30 September 2015: HK\$4,771,000) during the period ended 30 September 2016. No share option was granted during the Reporting Period.

The fair value of equity-settled share options granted on 17 April 2015 was estimated as at the date of grant using a Trinomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	3.24
Expected volatility (%)	39.94-54.51
Historical volatility (%)	39.94-54.51
Risk-free interest rate (%)	0.12-0.63
Expected life of options (year)	1 to 3
Weighted average share price (HK\$ per share)	0.1415-0.1627

## SHARE OPTION SCHEME (CONTINUED)

### The Company's share option scheme (Continued)

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

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

At the end of the reporting period, the Company had 30,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 30,000,000 additional ordinary shares of the Company and additional share capital of HK\$3,000,000 and share premium of HK\$18,300,000 (before shares issue expenses).

At the date of approval of these financial statements, the Company had 30,000,000 share options outstanding under the Scheme, which represented approximately 3% of the Company's shares in issue as at that date.

### DCIHL share option scheme

DCIHL operates a share option scheme (the “**DCIHL Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of DCIHL and its subsidiaries (collectively referred to as the “**DCIHL Group**”). Eligible participants of the DCIHL Share Option Scheme include any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of any member of the DCIHL Group. The DCIHL Share Option Scheme became effective on 10 August 2015 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.



## SHARE OPTION SCHEME (CONTINUED)

### DCIHL share option scheme (Continued)

The maximum number of unexercised share options currently permitted to be granted under the DCIHL Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of DCIHL in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the DCIHL Share Option Scheme within any 12-month period is limited to 1% of the shares of DCIHL 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 DCIHL, 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 DCIHL, or to any of their associates, in excess of 0.1% of the shares of DCIHL in issue at any time or with an aggregate value (based on the price of DCIHL's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

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

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

## SHARE OPTION SCHEME (CONTINUED)

### DCIHL share option scheme (Continued)

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

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	Price of the DCIHL's shares**	
	At 1 April 2016	Granted during the period	Exercised during the period	At 30 September 2016			Exercise price of share options* HK\$ per share	At grant date of options HK\$ per share
<b>DCIHL Directors:</b>								
Keung Kwok Cheung	2,400,000	-	-	2,400,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Kwok Koon Keung	2,200,000	-	-	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lo Wing Ling	2,200,000	-	-	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong Chi King	1,000,000	-	-	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lee Tho Siem	1,000,000	-	-	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Cheung Ting Kee	1,000,000	-	-	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong King Keung	1,000,000	-	-	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
	<u>10,800,000</u>	<u>-</u>	<u>-</u>	<u>10,800,000</u>				
Other employees, in aggregate	7,200,000	-	-	7,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Total	<u>18,000,000</u>	<u>-</u>	<u>-</u>	<u>18,000,000</u>				

\* 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 DCIHL's share capital.

\*\* The price of the DCIHL'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. The price of the DCIHL's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing price immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

## SHARE OPTION SCHEME (CONTINUED)

### DCIHL share option scheme (Continued)

No share options was granted during the Reporting Period.

The fair value of equity-settled share options granted on 3 February 2016 was estimated as at the date of grant, using a Trinomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	<b>0.784</b>
Expected volatility (%)	<b>43.458</b>
Historical volatility (%)	<b>N/A</b>
Risk-free interest rate (%)	<b>0.969</b>
Expected life of options (year)	<b>3</b>
Weighted average share price (HK\$ per share)	<b>0.0657</b>

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

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

At the date of approval of these financial statements, DCIHL had 18,000,000 share options outstanding under the DCIHL Share Option Scheme, which represented approximately 1.8% of DCIHL's shares in issue as at that date.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, AND UNDERLYING SHARES

At 30 September 2016, 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 of Hong Kong Limited (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 the ordinary shares of the Company:

Name of Directors	Number of shares held, capacity and nature of interest		Number of underlying ordinary shares of HK\$0.10 each in the Company	Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Options (Note 1)		
Mr. Tjia Boen Sien (Note 2)	68,661,600 (L)	349,935,000 (L)	320,000	418,916,600	42.84
Mr. Lu Quanzhang	150,000 (L)	–	1,000,000	1,150,000	0.12
Mr. Wang Jing Ning	22,259,400 (L)	–	4,000,000	26,259,400	2.69
Mr. Tjia Wai Yip, William	2,400,000 (L)	–	4,000,000	6,400,000	0.65
Dr. Raymond Ho, Chung Tai	727,500 (L)	–	320,000	1,047,500	0.11
Ir Siu Man Po	920,000 (L)	–	320,000	1,240,000	0.13
Mr. Siu Kam Chau	–	–	320,000	320,000	0.03

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, AND UNDERLYING SHARES (CONTINUED)

Notes:

- (L) denotes long position.
- The options were granted on 17 April 2015 with consideration of HK\$1 under the Scheme adopted by the Company. The above options could be exercised from the date of grant to 16 April 2018 in accordance with the rules of the Scheme to subscribe for ordinary shares of HK\$0.10 each in the Company at an initial exercise price of HK\$0.71 per share.
  - Sparta Assets Limited ("**Sparta Assets**"), a company incorporated in the British Virgin Islands ("**BVI**") and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 349,935,000 ordinary shares of the Company.

### Long positions in ordinary shares of DCIHL:

Name of Director	Number of shares held, capacity and nature of interest			Percentage of the DCIHL's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*	22,887,200	538,414,868 <sup>‡</sup>	561,302,068	56.13
Mr. Lu Quanzhang	50,000	–	50,000	0.01
Ir Siu Man Po	150,000	–	150,000	0.02

### Long positions in ordinary shares of Sparta Assets:

Name of Director	Number of shares held, capacity and nature of interest			Percentage of the Sparta Assets's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*	1,000	–	1,000	100.00

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, AND UNDERLYING SHARES (CONTINUED)

### Long positions in ordinary shares of DCIHL: (Continued)

- \* Sparta Assets, a company incorporated in the BVI and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 349,935,000 ordinary shares of the Company.
- # Mr. Tjia Boen Sien beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. Sparta Assets directly beneficially owned 26,645,000 shares in DCIHL and it beneficially owned 349,935,000 shares in the Company, representing 35.79% of the issued share capital of the Company. By virtue of the SFO, Mr. Tjia is deemed to be interested in 538,414,868 shares in DCIHL (being aggregate of 26,645,000 shares in DCIHL held by Sparta Assets and 511,769,868 shares in DCIHL indirectly owned by the Company (through Deson Development Holdings Limited (“DDHL”) which Sparta Assets is deemed to be interested in)).

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 in the section headed “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 heading “Directors’ interests and short positions in shares, and underlying shares” above and in the share option scheme disclosures in section headed “Share Option Scheme”, at no time during the six months ended 30 September 2016 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 2016, so far as known to the Directors of the Company, 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/underlying ordinary shares held	Percentage of the Company's issued share capital
Sparta Assets (Note 1)	Beneficial Owner	349,935,000	35.79
Mr. Tjia Boen Sien	Interests of controlled corporation	349,935,000	35.79
	Directly beneficially own	68,661,600	7.02
	Share options	320,000	0.03
Granda Overseas Holding Co. Ltd. ("Granda") (Note 2)	Beneficial Owner	173,698,740	17.76
Mr. Chen Huofa	Interests of controlled corporation	173,698,740	17.76

### Notes:

1. Sparta Assets, a company incorporated in the BVI and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 349,935,000 ordinary shares of the Company.
2. Granda, a company incorporated in the BVI and wholly owned by Mr. Chen Huofa, is beneficially interested in 173,698,740 ordinary shares of the Company.

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 2016, 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.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (for the six months ended 30 September 2015: nil).

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

## CAPITAL STRUCTURE

Details of the changes of the capital structure of the Company during the six months ended 30 September 2016 are set out in the note 16 to the condensed financial statements.

## CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2016, the Company's corporate governance practices are based on the principles and the code provisions ("**Code Provisions**") as set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). The Directors consider that the Company has complied with most of the Code Provisions throughout the six months ended 30 September 2016, save for the deviation from the Code Provision A.4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.



## CORPORATE GOVERNANCE (CONTINUED)

### Summary of deviation of the CG Code:

#### *Code Provision A.4.1*

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

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

### MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2016.

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 2016, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprises three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The interim results of the Company for the six months ended 30 September 2016 have not been audited by the Company's independent auditors. The Audit Committee held a meeting on 9 November 2016. 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 2016 interim report and interim financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## BOARD OF DIRECTORS

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

By Order of the Board

**Tjia Boen Sien**

*Managing Director and Deputy Chairman*

Hong Kong, 9 November 2016