



Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)



INTERIM REPORT 2009

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 2009, together with the comparative figures for the six months ended 30 September 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

	Notes	2009 HK\$'000	2008 HK\$'000
REVENUE	3	251,971	343,461
Cost of sales		<u>(197,437)</u>	<u>(307,722)</u>
Gross profit		54,534	35,739
Other income and gains	3	7,172	7,622
Administrative expenses		(29,079)	(29,137)
Other operating income		2,469	2,091
Finance costs	5	(4,208)	(3,219)
Share of profits and losses of:			
A jointly-controlled entity		(13)	(14)
Associates		(172)	299
PROFIT BEFORE TAX	4	30,703	13,381
Tax	6	(16,886)	(8,337)
PROFIT FOR THE PERIOD		<u>13,817</u>	<u>5,044</u>
Attributable to:			
Equity holders of the Company		12,928	5,387
Minority interests		889	(343)
		<u>13,817</u>	<u>5,044</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u>2.28 cents</u>	<u>0.94 cents</u>
Diluted		<u>N/A</u>	<u>0.94 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	2009	2008
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	13,817	5,044
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	2,256	3,200
Share of other comprehensive income for the period	633	103
Less: Reclassification adjustment:		
Release upon disposal of an associate	(603)	–
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	2,286	3,303
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16,103	8,347
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity holders of the Company	15,031	8,390
Minority interests	1,072	(43)
	<hr/>	<hr/>
	16,103	8,347
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2009

	Notes	30 September 2009 HK\$'000	31 March 2009 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		63,546	64,350
Investment properties	8	197,666	181,704
Prepaid land lease payments		5,649	5,718
Interest in a jointly-controlled entity		5,161	–
Interests in associates		(3,427)	(2,408)
Available-for-sale investments		–	–
Financial assets at fair value through profit or loss		2,280	2,260
		<hr/>	<hr/>
Total non-current assets		270,875	251,624
CURRENT ASSETS			
Amounts due from associates		37,011	26,650
Properties held for sale	9	513,303	520,064
Gross amount due from contract customers		5,550	5,247
Inventories		810	1,497
Accounts receivable	10	60,163	59,472
Prepayments, deposits and other receivables		39,518	30,290
Cash and cash equivalents		41,375	53,807
Pledged deposits		31,314	31,331
		<hr/>	<hr/>
		729,044	728,358
Non-current asset classified as held for sale		–	9,295
		<hr/>	<hr/>
Total current assets		729,044	737,653
CURRENT LIABILITIES			
Gross amount due to contract customers		49,631	38,626
Accounts payable	11	31,097	44,269
Other payables and accruals		129,595	171,116
Amounts due to associates		262	262
Amounts due to minority shareholders		20,131	19,529
Amounts due to related companies		20,107	27,166
Tax payable		55,381	45,914
Convertible notes	12	–	15,721
Interest-bearing bank and other borrowings		100,053	97,563
		<hr/>	<hr/>
Total current liabilities		406,257	460,166

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2009

	Notes	30 September 2009 HK\$'000	31 March 2009 HK\$'000
NET CURRENT ASSETS		322,787	277,487
TOTAL ASSETS LESS CURRENT LIABILITIES		593,662	529,111
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		81,012	32,205
Deferred tax liabilities		19,411	19,252
Total non-current liabilities		100,423	51,457
Net assets		493,239	477,654
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	56,697	56,697
Reserves		431,869	416,091
Equity component of convertible notes		–	1,259
		488,566	474,047
Minority interests		4,673	3,607
Total equity		493,239	477,654

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2009

	Attributable to equity holders of the Company													Minority interests	Total equity
	Issued capital	Share premium	Contributed surplus	Property revaluation reserve	Capital reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Equity component of		Reserve funds	Retained profits	Total		
									convertible notes	of					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2008	57,274	122,493	15,262	34,182	(9,121)	9,436	26,240	1,250	379	1,259	3,260	195,659	457,573	2,525	460,098
Other comprehensive income	-	-	-	-	-	-	3,043	(40)	-	-	-	-	3,003	300	3,303
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	5,387	5,387	(343)	5,044
Total comprehensive income for the period	-	-	-	-	-	-	3,043	(40)	-	-	-	5,387	8,390	(43)	8,347
Repurchase of shares	(169)	(290)	-	-	-	169	-	-	-	-	-	(169)	(459)	-	(459)
Share repurchase expenses	-	(3)	-	-	-	-	-	-	-	-	-	-	(3)	-	(3)
At 30 September 2008	57,105	122,200	15,262	34,182	(9,121)	9,605	29,283	1,210	379	1,259	3,260	200,877	465,501	2,482	467,983
At 1 April 2009	56,697	121,790	15,262	36,531	(9,121)	10,013	28,323	1,056	-	1,259	3,260	208,977	474,047	3,607	477,654
Other comprehensive income	-	-	-	-	(119)	-	1,589	121	-	-	-	512	2,103	183	2,286
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	12,928	12,928	889	13,817
Total comprehensive income for the period	-	-	-	-	(119)	-	1,589	121	-	-	-	13,440	15,031	1,072	16,103
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(6)	(6)
Release of revaluation reserve	-	-	-	(512)	-	-	-	-	-	-	-	-	(512)	-	(512)
Release upon expiry of convertible notes	-	-	-	-	-	-	-	-	-	(1,259)	-	1,259	-	-	-
At 30 September 2009	56,697	121,790*	15,262*	36,019*	(9,240)*	10,013*	29,912*	1,177*	-	-	3,260*	223,676*	488,566	4,673	493,239

* These reserve accounts comprise the consolidated reserves of HK\$431,869,000 (31 March 2009: HK\$416,091,000) 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 therefor, pursuant to the Group reorganisation on 21 May 1997.

The capital reserve of the Group as at 1 April 2009 and 30 September 2009 comprised goodwill arising from the acquisition of subsidiaries prior to 1 April 2002.

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 laws and regulations of the People's Republic of China. The amount of the appropriation is at the discretion of these subsidiaries' board of directors.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2009

	2009	2008
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES	(23,399)	1,131
CASH FLOWS FROM INVESTING ACTIVITIES	(18,031)	(11,496)
CASH FLOWS FROM FINANCING ACTIVITIES	5,821	18,583
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(35,609)	8,218
Cash and cash equivalents at beginning of period	30,239	5,153
Effect of foreign exchange rate changes, net	444	(2,209)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>(4,926)</u>	<u>11,162</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	41,375	42,547
Bank overdrafts, secured	(46,301)	(31,385)
	<u>(4,926)</u>	<u>11,162</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold buildings, investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. These unaudited condensed financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2009.

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 2009, except in relation to the following new Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and interpretations) that affect the Group and are adopted by the Group for the first time for the current period's financial statements:

HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments:</i> <i>Presentation and HKAS 1 Presentation of</i> <i>Financial Statements – Puttable Financial</i> <i>Instruments and Obligations Arising on Liquidation</i>
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption</i> <i>of HKFRSs and HKAS 27 Consolidated</i> <i>and Separate Financial Statements – Cost of an</i> <i>Investment in a Subsidiary, Jointly Controlled</i> <i>Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment –</i> <i>Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments:</i> <i>Disclosures – Improving Disclosures about</i> <i>Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of</i> <i>Embedded Derivatives and HKAS 39 Financial</i> <i>Instruments: Recognition and Measurement –</i> <i>Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HKFRSs (Amendments)	<i>Improvements to HKFRSs 2009 in relating to</i> the amendment to paragraph of HKAS 39

1. BASIS OF PREPARATION (CONTINUED)

HKFRS 8 – Operating Segments

HKFRS 8 is a disclosure Standard that required the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and return approach. The application of HKFRS 8 has not resulted in a redesignation of the group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 2).

HKAS 1 (Revised) – Presentation of Financial Statements

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity include only details of transactions with owner, with non-owner changes in equity presented in a single line. In addition, the standard introduced the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to presents two statements.

The adoption of these new or revised HKFRSs has no material effect on the results and financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	<i>Improvements to HKFRSs May 2008</i> ¹
HKFRSs (Amendments)	<i>Improvements to HKFRSs April 2009</i> ²
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ³
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ³
HKFRS 1 (Revised)	<i>First-time Adoption of HKFRS</i> ³
HKFRS 2 Amendments	<i>Group cash-settled share-based payment transactions</i> ⁶
HKFRS 3 (Revised)	<i>Business Combinations</i> ³
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> ³
HK(IFRIC)-Int 18	<i>Transfer of Assets from Customers</i> ⁵

¹ Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods ending or after 30 June 2009

⁵ Effective for transfer of assets from customers received on or after 1 July 2009

⁶ Effective for annual periods beginning on or after 1 January 2010

The application of HKFR3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Company, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and return approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The following tables present revenue, profits/(losses) information for the Group's business segments for the six months ended 30 September 2009 and 2008.

	For the six months ended 30 September							
	Construction business		Property development and investment business		Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	121,575	309,467	125,934	26,309	4,462	7,685	251,971	343,461
Other income and gains	991	3,480	1,750	2,308	-	1,289	2,741	7,077
Total	122,566	312,947	127,684	28,617	4,462	8,974	254,712	350,538
Segment results	(5,974)	5,255	38,972	10,020	(96)	1,698	32,902	16,973
Interest income and dividend income							2,249	545
Gain on disposal of an associate							2,109	-
Gain on disposal of partial interest in subsidiaries							42	-
Gain on disposal of a subsidiary							31	-
Unallocated expenses							(2,237)	(1,203)
Finance costs							(4,208)	(3,219)
Share of profits and losses of:								
A jointly-controlled entity	(13)	(14)	-	-	-	-	(13)	(14)
Associates	(172)	299	-	-	-	-	(172)	299
Profit before tax							30,703	13,381
Tax							(16,886)	(8,337)
Profit for the period							13,817	5,044

2. SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 September							
	Construction business		Property development and investment business		Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Other segment information:								
Depreciation	843	862	1,039	459	40	1,492	1,922	2,813
Recognition of prepaid land lease payments	69	69	-	-	-	-	69	69
Loss/(gain) on disposal of items of property, plant and equipment	-	(3)	2	(7)	10	-	12	(10)
Impairment of accounts receivable	-	-	2,482	-	-	-	2,482	-
Reversal of impairment of accounts receivable	-	-	(1,909)	(1,107)	-	-	(1,909)	(1,107)
Reversal of impairment of other receivables	(798)	(908)	-	-	-	-	(798)	(908)
	<u>(798)</u>	<u>(908)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(798)</u>	<u>(908)</u>

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross revenue earned from construction works and the net amount of maintenance works invoiced, property development and investment business, trading of medical equipment, provision of related installation and maintenance services.

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

	2009 HK\$'000	2008 HK\$'000
Revenue		
Income from construction contracting and related business	121,575	309,467
Income from property development and investment business	125,934	26,309
Income from trading of medical equipment, provision of related installation and maintenance services	4,462	7,685
	<u>251,971</u>	<u>343,461</u>
Other income and gains		
Bank interest income	134	242
Other interest income	2,115	303
Gain on disposal of an associate	2,109	-
Gain on disposal of partial interest in subsidiaries	42	-
Gain on disposal of a subsidiary	31	-
Gross rental income	1,595	1,821
Others	1,146	5,256
	<u>7,172</u>	<u>7,622</u>

4. PROFIT BEFORE TAX

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

	2009	2008
	HK\$'000	HK\$'000
Cost of construction contracting	113,579	293,621
Cost of properties sold	80,967	9,331
Cost of inventories sold and services provided	2,891	4,770
Depreciation	1,922	2,813
Recognition of prepaid land lease payments	69	69
Minimum lease payments under operating leases on land and buildings	1,417	1,149
Loss/(gain) on disposal of items of property, plant and equipment [^]	12	(10)
Employee benefits expense (including directors' emoluments):		
Wages and salaries	15,871	15,334
Pension schemes contributions *	398	375
Less: Amount capitalised	(1,927)	(1,210)
	14,342	14,499
Directors remuneration:		
Fee	156	156
Salaries and allowances	1,673	1,787
Pension scheme contributions	29	47
	1,858	1,990
Foreign exchange differences, net [^]	(2,256)	(66)
Impairment of accounts receivable [^]	2,482	–
Reversal of impairment of accounts receivable [^]	(1,909)	(1,107)
Reversal of impairment of other receivables [^]	(798)	(908)

* At 30 September 2009, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2008: Nil).

[^] These amounts are included in "Other operating income" on the face of the condensed consolidated income statement.

5. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	6,717	3,957
Interest on convertible notes	67	536
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	6,784	4,493
Less: Interest capitalised on properties under development	(2,576)	(1,274)
	<hr/>	<hr/>
	<u>4,208</u>	<u>3,219</u>

6. TAX

No Hong Kong profits tax has been provided as the Group's subsidiaries either did not generate any assessable profits arising in Hong Kong during the period or had available tax losses brought forward from prior years to offset the assessable profits generated during the period (2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current – Elsewhere		
Charge for the period	4,814	3,766
Underprovision/(overprovision) in prior periods	(32)	335
Deferred	124	–
LAT in Mainland China	11,980	4,236
	<hr/>	<hr/>
Total tax charge for the period	<u>16,886</u>	<u>8,337</u>

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

The calculation of 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 in issue during the period.

Diluted earnings per share during the six months ended 30 September 2009 have not been disclosed as no dilutive events existed during the period. The calculation of diluted earnings per share amounts for the six months ended 30 September 2008 was based on the profit for that period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	12,928	5,387
Interest on convertible notes	—	536
	<hr/>	<hr/>
Profit attributable to ordinary equity holders of the Company before interest on convertible notes	<u>12,928</u>	<u>5,923</u>
	 Number of shares	 2008
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	566,973,017	572,429,848
Effect of dilution-weighted average number of ordinary shares:		
Convertible notes	—	35,000,000
	<hr/>	<hr/>
	<u>566,973,017</u>	<u>607,429,848*</u>

- * Because the diluted earnings per share amount was increased when taking the convertible notes into account, the convertible notes had an anti-dilutive effect on the basic earnings per share for the six months ended 30 September 2008 and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts were based on the profit for the six months ended 30 September 2008 of HK\$5,387,000 and the weighted average of 572,429,848 ordinary shares in issue during that year.

8. INVESTMENT PROPERTIES

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Carrying amount at 1 April	181,704	134,040
Additions	14,354	–
Net profit from fair value adjustment	–	2,599
Transfer from owner-occupied property	–	43,005
Exchange realignment	1,608	2,060
	<u> </u>	<u> </u>
Carrying amount at 30 September/31 March	<u>197,666</u>	<u>181,704</u>

The Group's investment properties are situated in Mainland China and are held under the following lease terms:

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Long term lease	145,454	129,950
Medium term lease	52,212	51,754
	<u> </u>	<u> </u>
	<u>197,666</u>	<u>181,704</u>

The Group's investment properties were revalued on 31 March 2009 by B.I. Appraisals Limited, independent professionally qualified valuers, at HK\$181,704,000 on an open market, existing use basis.

As at 30 September 2009, the investment properties of the Group with aggregate carrying amounts of HK\$183,312,000 (31 March 2009: HK\$181,704,000) were pledged to secure certain banking facilities granted to the Group.

As at 30 September 2009, investment properties of the Group with carrying amounts of HK\$145,454,000 (31 March 2009: HK\$129,950,000) and HK\$52,212,000 (31 March 2009: HK\$51,754,000) were leased to an independent third party and a related company under an operating lease, respectively.

9. PROPERTIES HELD FOR SALE

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Completed properties	261,217	315,253
Properties under development	252,086	204,811
	<u>513,303</u>	<u>520,064</u>

As at 30 September 2009, certain completed properties held for sale of the Group with aggregate carrying amounts of HK\$44,080,000 (31 March 2009: HK\$79,065,000) were pledged to secure certain banking facilities granted to the Group.

In addition, certain completed properties held for sale of the Group with aggregate carrying amounts of HK\$33,071,000 (31 March 2009: HK\$34,684,000) were pledged through the equity interest in a subsidiary to secure other loans amounting to HK\$15,000,000 (31 March 2009: HK\$20,000,000) granted to the Group.

10. ACCOUNTS RECEIVABLE

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

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

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Current to 90 days	33,502	32,153
91 to 180 days	4,811	5,989
181 to 360 days	4,439	333
Over 360 days	11,127	13,662
	53,879	52,137
Retention monies receivable	6,284	7,335
Total	<u>60,163</u>	<u>59,472</u>

11. ACCOUNTS PAYABLE

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

	30 September 2009	31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	22,659	36,713
91 to 180 days	179	260
181 to 360 days	673	277
Over 360 days	7,586	7,019
	<hr/> 31,097 <hr/>	<hr/> 44,269 <hr/>

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

12. CONVERTIBLE NOTES

On 24 April 2006, the Company issued 4% convertible notes with a total nominal value of HK\$15,750,000. These notes had a three-year term and were issued at par, giving total proceeds of HK\$15,750,000. Interest was payable half-yearly in arrears at a nominal annual interest rate of 4%. These notes were convertible at any time from the first anniversary of the issue date to the thirtieth day prior to the maturity date, at the holder's option, into 35,000,000 ordinary shares of the Company at an initial conversion price of HK\$0.45 per share.

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

12. CONVERTIBLE NOTES (CONTINUED)

The convertible notes had been split as to the liability and equity components, as follows:

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Nominal value of convertible notes issued	–	15,750
Equity component	–	(1,259)
	<hr/>	<hr/>
Liability component at the issuance date	–	14,491
Interest expense	–	3,082
Interest paid	–	(1,852)
	<hr/>	<hr/>
Liability component at 30 September/31 March	<u>–</u>	<u>15,721</u>

The convertible notes were fully redeemed on 23 April 2009.

13. SHARE CAPITAL

Shares

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Authorised:		
1,500,000,000 (31 March 2009: 1,500,000,000) ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
566,973,017 (31 March 2009: 566,973,017) ordinary shares of HK\$0.10 each	<u>56,697</u>	<u>56,697</u>

Share options

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

14. OPERATING LEASE COMMITMENTS

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

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Within one year	1,209	2,133
In the second to fifth years, inclusive	2,267	6,022
After five years	2,939	10,050
	<u>6,415</u>	<u>18,205</u>

15. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
Management fees received from associates	<i>(i)</i>	522	414
Management fees received from a related company	<i>(i)</i>	120	120
Interest income from a jointly-controlled entity	<i>(ii)</i>	216	225
Rental income from a related company	<i>(iii)</i>	1,299	1,294
		<u>1,299</u>	<u>1,294</u>

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes:

- (i) The management fees were charged by reference to actual costs incurred for the services provided by the Group.
- (ii) The interest income from a jointly-controlled entity was charged at the prime rate plus 1% per annum on an amount due from it of HK\$7,178,000 (31 March 2009: HK\$7,178,000).
- (iii) The rental income was charged to Fitness Concept Limited (“FCL”) and one of its subsidiary at HK\$45,000 and HK\$171,000 per month respectively. Mr. Tjia Boen Sien is a director of and has beneficial interest in the Company and FCL while Mr. Keung Kwok Cheung is a director of the Company and FCL.

(b) Outstanding balances with related parties:

Details of the Group’s balances with its jointly-controlled entity, associates, minority shareholders and related companies as at the reporting date 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 of the Company. Details of their remuneration are disclosed in note 4 to the financial statements.

16. COMPARATIVE AMOUNTS

Due to the adoption of the new and revised HKFRSs during the current period, certain comparative amounts have been adjusted to conform with the current period’s presentation.

DIVIDENDS

No interim dividend was paid during the period and the Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2009 (2008: Nil).

POST BALANCE SHEET EVENT

On 9 December 2009, Super Sight Investments Inc. (“Super Sight”), an indirect wholly-owned subsidiary of the Company entered into a sales and purchase agreement with Mr. Wang Jing Ning, a director of the Company, in relation to the sale and purchase of the two shops in Phase IV of Asian Villas City Square, a property development project of Super Sight, at a consideration of RMB7,164,276.

Given that Mr. Wang is a Director of the Company and hence a connected person of the Company within the meaning of the Listing Rules, the transaction therefore constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules. Since the transaction falls within the exemption pursuant to Rule 14A.32 of the Listing Rules, the transaction is exempt from the independent shareholders’ approval requirement and is only subject to the reporting and announcement requirements of the Listing Rules.

The Directors (including the independent non-executive Directors), excluding Mr. Wang, who has an interest in the disposal, are of the view that the agreement and the disposal contemplated therein are on normal commercial terms and such terms are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group’s turnover for the six months ended 30 September 2009 was HK\$251,971,000 which represented a decrease of 27% as compared with the same period last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$12,928,000 representing an increase of 140% as compared with the same period last year. Earning per share is approximately HK2.28 cents.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

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

During the period, the Group completed projects such as fitting out works for a residential house at Pollock's Path, Hong Kong, air-conditioning and electrical works for Ocean Park redevelopment project – Amazing Asian Animals, Hong Kong, and building services installation for the construction of primary schools in Sham Tseng, Hong Kong. In current period, turnover generated from the construction and contracting business decreased by 61% as compared to the same period last year, this is mainly due to the residual effect of the financial tsunami of last year where there are usually a time lag between the granting of the project and the generation of project revenue.

On 6 May 2009, Deson Development Holdings Limited ("DDHL"), a wholly-owned subsidiary of the Company entered into a shareholders' agreement with Skill Achieve Investments Limited ("Skill Achieve"), an independent third party, pursuant to which the parties agreed to form a joint venture company named Deson Development International Holdings Investment Limited ("DDIHIL"). DDIHIL will invest in a 10% equity interest in Zhejiang Construction Investment Group Company Limited ("ZJC"), a state-owned enterprise in PRC as reorganized under a reorganization scheme. ZJC is principally engaged in the businesses of construction investment management and construction contracting in PRC as a main contractor.

According to the above mentioned shareholders' agreement and a supplementary agreement dated 25 June 2009, the issued share capital of DDIHIL will be owned as to 20% by DDHL and 80% by Skill Achieve. In order to finance the investment in the 10% equity interest in ZJC, DDHL and Skill Achieve agreed to advance shareholders' loans to DDIHIL in proportion to their respective equity interests in DDIHIL. Accordingly, DDHL shall advance a total amount of RMB29 million, and Skill Achieve shall advance a total amount of RMB116 million, to DDIHIL. As at the date of this report, shareholders' loan of HK\$10 million has been advanced by DDHL to DDIHIL.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

More to note, during the six months ended 30 September 2009, the Group sold certain units of Asian Villas City Square, Haikou, certain service apartments of Parkview Garden, Shanghai, and certain units of Phase I of Century Place, Kaifeng, which contributed a meaningful turnover and profit to the Group. Since Phase IV of Asian Villas City Square in Hainan and Phase I of Century Place in Kaifeng were only completed in the first quarter of 2009 and the Group have sufficient stock available for sales in current period, whereas in same period last year the Group was only selling the remaining units in Phase I to III of Asian Villas City Square in Hainan and Parkview in Shanghai, and at the same time consumer commenced to pick up the confidence in the property market after the financial tsunami in last year, therefore, sales generated from this segment increased by 379% as compared to that of same period last year. In September 2007, Asian Villas City Square was awarded one of the “Top 100 Best Property in China for year 2007 (third anniversary)”. In May 2008, the Company was awarded one of the “Top 500 Most Influential Property Development Enterprise in China” for year 2008, by 2008 亞洲(博鰲)房地產領袖峰會. In November 2009, Century Place was awarded as the most valuable brand at Kaifeng.

FINANCIAL REVIEW

Turnover

During the period, the Group’s turnover amounted to HK\$252 million, decreased by 27% as compared to the same period last year. The decrease was mainly due to the residual effect of last year’s financial tsunami in the construction and contracting segment, where there are usually a time lag between the granting of the project and the generation of project revenue. On the other hand, customers commenced to pick up confidence in the property market after the held back from purchase during the financial tsunami, as such, the decrease in construction and contracting segment was partly offset by the notable growth in the property development and investment segment. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$122 million, HK\$126 million, HK\$4 million respectively, which represent a decrease by 61%, an increase by 379% and a decrease by 42% respectively as compared to the same period last year.

FINANCIAL REVIEW (CONTINUED)

Gross profit margin

During the period under review, the Group's gross profit margin was approximately 22%, up by 12% as compared to last period's 10%, this is mainly contributed from the property development business because the percentage of turnover from the property development and investment segment over the total turnover increased from last period's 8% to current period's 50%, where the gross profit margin of this segment generally have a much higher gross profit margin than other segment such as construction contracting segment, as a result, the overall gross profit margin is higher than last period.

Liquidity and financial resources

As at 30 September 2009, the Group had total assets of HK\$999,919,000, which is financed by total liabilities, shareholders' equity and minority interests of HK\$506,680,000, HK\$488,566,000 and HK\$4,673,000, respectively. The Group's current ratio at 30 September 2009 was 1.79 compared to 1.60 at 31 March 2009.

The gearing ratio for the Group is 17% (31 March 2009: 10%). It was calculated based on the non-current liabilities of HK\$100,423,000 (31 March 2009: HK\$51,457,000) and long term capital (equity and non-current liabilities) of HK\$593,662,000 (31 March 2009: HK\$529,111,000). The increment was mainly a result of the long term construction loans obtained from bank during the period for the property development business.

Capital expenditure

Total capital expenditure for the period was approximately HK\$15 million, which are mainly used in the purchase of investment properties in connection with the property investment business in PRC.

Contingent liabilities

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

Commitments

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

FINANCIAL REVIEW (CONTINUED)

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of certain of the Group's leasehold buildings situated in Hong Kong and Mainland China of HK\$37,768,000 (31 March 2009: HK\$38,413,000);
- (ii) the pledge of the Group's investment properties situated in Mainland China of HK\$183,312,000 (31 March 2009: HK\$181,704,000);
- (iii) the pledge of the Group's leasehold lands situated in Hong Kong of HK\$5,788,000 (31 March 2009: HK\$5,857,000);
- (iv) the pledge of the Group's deposits of HK\$31,314,000 (31 March 2009: HK\$31,331,000);
- (v) the pledge of certain of the Group's completed properties held for sale situated in Mainland China of HK\$44,080,000 (31 March 2009: HK\$79,065,000); and
- (vi) the pledge of one of the Group's financial assets at fair value through profit and loss of HK\$1,140,000 (31 March 2009: HK\$1,130,000).

Treasury policies

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development projects in Kaifeng and Huizhou, PRC, the Group will take consideration on the Renminbi fund planning to adequately finance these projects.

As the Group's borrowings are all denominated in Hong Kong dollar and Renminbi, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, no hedging instruments for currency or interest rates purposes have been deployed during the period under review.

FINANCIAL REVIEW (CONTINUED)

Exchange risk exposure

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

PROSPECT

Construction business (including E&M works)

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

During the period, new projects such as fitting out works for Prada shop at Tsimshatsui, Hong Kong, electrical, fire services and air-conditioning installation for student hostel development phase 4 for City University of Hong Kong, electrical and mechanical installation for footpath linking Junk Bay Chinese Permanent Cemetery with Tiu Keng Leng MTR station, Hong Kong, retrofitting and improvement of pumping systems at Tin Wah Road Sewage Pumping Station, Hong Kong, design, supply and installation, testing and commissioning of H2S detection and alarm system at Tai Po Sewage Treatment Works, Hong Kong, renovation for a ward building in a hospital, PRC were granted. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$630 million.

PROSPECT (CONTINUED)

Property development and investment

Asian Villas City Square, Haikou, Hainan Province is developed into a residential and commercial complex with a total gross floor area of approximately 117,000 sq. metres. Construction were completed during last year. Up to the date of this report, the total sales contract sum achieved amounted to approximately RMB268 million.

On 9 June 2005, the Group has been granted the land use rights of a development site in Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 202,000 sq. metres. Up to now, gross floor area of 22,900 sq. metres had completed construction and started to contribute sales revenue to the Group, the remaining of the land is under construction, processing smoothly, and it is expected the construction will be completed by 2011. In April 2007, the Group was granted another land use rights of a development site adjacent to the original site in Long Ting District, with gross floor area of approximately 25,000 sq. metres, the Directors intend to develop this additional site together with the original site.

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

The Group purchased a hotel in Haikou, the capital of Hainan Province, PRC through the acquisition of a subsidiary in the prior years. The hotel has a gross floor area of 20,668 square metres. Up to the date of this report, the hotel is leased out to generate recurring rental income. In view of the great potential which Hainan Province has as an upscale tourist destination, the Directors consider the growth prospects to be promising.

PROSPECT (CONTINUED)

Property development and investment *(Continued)*

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

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

Trading of medical equipment

With rising affluence especially in Hong Kong and the major cities in PRC, the consumers' increasing health awareness, especially among higher-income urban consumers, continued to create higher demand for medical equipments, and our effort in trading of medical equipment should continue to pay off in terms of sales growth and market penetration in PRC. In the coming year, we will expand our distribution channels and introducing a broader range of products to spur sales growth.

The outlook of the Group for the second half of the year continues to be challenging. While the global economy appears to have stabilised and has been showing positive signs and evidence of recovering, the recovery is generally expected to be anemic and moderate. The Group remains optimistic of the medium to longer term prospects of the property sector in the PRC and continues to be committed to those projects that are being undertaken by the Group. On the other hand, the Group will continue to adopt efficacious cost management strategies and maintain tight credit control to cope with challenges and enhance competitiveness under the difficult operating environment.

HUMAN RESOURCES

As at 30 September 2009, the Group has 124 employees, 13 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the six months ended 30 September 2009 under review amounted to HK\$14 million as compared to HK\$16 million in last period.

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

CONTINUING CONNECTED TRANSACTIONS

On 19 March 2008, the Group has entered into two tenancy agreements with 上海美格菲健身中心有限公司 and Fitness Concept Limited, companies owned as to 99.4% and 100% respectively by Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of two properties of the Group at Sichuan, PRC and Hong Kong. The two tenancy agreements are contracted for three years commencing 1 April 2008, and the monthly rent payable are RMB150,000 and HK\$45,500 respectively. The rental income earned during the six months ended 30 September 2009 from the above tenancy agreements were HK\$1,299,000.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 46.75% equity interest in the Company at that time, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules. The transaction therefore constitutes a connected transaction of the Company. As each of the applicable percentage ratios of the transaction was more than 2.5% but less than 25% and the total consideration involved was less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the transaction was exempted from the independent shareholders' approval requirement and was only subject to the reporting and announcement requirements of the Listing Rules. The transaction also constituted a discloseable transaction for the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that this continuing connected transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SHARE OPTION SCHEME

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

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

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

SHARE OPTION SCHEME (CONTINUED)

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 expiring on the last date of such period.

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

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

No share option was granted during the six months ended 30 September 2009.

At the reporting date, no share option was outstanding under the Scheme.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2009, 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 ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*	42,009,400	226,250,000	268,259,400	47.31
Mr. Wang Jing Ning	12,839,600	–	12,839,600	2.26
Mr. Wang Ke Duan	268,960	–	268,960	0.05
Mr. Siu Man Po	180,000	–	180,000	0.03

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

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

The interests of the Directors in the share options of the Company are separately disclosed in 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 section headed "Directors interests and short positions in shares and underlying shares" and "Share Option Scheme" above, at no time during the six months ended 30 September 2009 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 2009, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Sparta Assets <i>(Note 1)</i>	Beneficial Owner	226,250,000	39.90
Mr. Tjia Boen Sien	Interests of controlled corporation Directly beneficially own	226,250,000 42,009,400	39.90 7.41
Penta Investment Advisers Limited ("Penta")	Investment manager	97,790,000	17.25
Mr. John Zwaanstra <i>(Note 2)</i>	Interests of controlled corporation	97,790,000	17.25
Penta Asia Fund, Ltd. ("Penta Asia") <i>(Note 3)</i>	Interests of controlled corporation	67,052,000	11.83
Mr. Todd Zwaanstra <i>(Note 3)</i>	Trustee (other than a bare trustee)	67,052,000	11.83
Mercurius GP LLC ("Mercurius") <i>(Note 4)</i>	Founder of a discretionary trust	67,052,000	11.83

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

Notes:

1. Sparta Assets, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.
2. Mr. John Zwaanstra was deemed to have interests in the shares of the Company through his 100% interest in Penta. Mr. John Zwaanstra was also deemed to have interests in the shares of the Company in which Penta Asia and Mercurius were interested through his control of more than one-third of the voting power of Mercurius.
3. These interests were held by Penta Master Fund, Ltd. ("Penta Master"), a wholly owned subsidiary of Penta Asia. Mr. Todd Zwaanstra was deemed to have interests in the shares of the Company in which Penta Master was interested pursuant to his control of more than one-third of the voting power of Penta Asia in his capacity as trustee of the Mercurius Partners Trust ("Mercurius Trust"), which is a discretionary trust.
4. Mercurius was the founder of the Mercurius Trust and was therefore deemed to have interests in the shares of the Company in which Mr. Todd Zwaanstra were interested in his capacity as trustee of the Mercurius Trust.

Save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, at 30 September 2009, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2009.

CORPORATE GOVERNANCE

In the corporate Governance Report which was published in our annual report for the year ended 31 March 2009, the Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules. The Directors consider that the Company has complied with most of the Code Provisions throughout the six months ended 30 September 2009, save for the deviation from the Code Provision A4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Summary of deviation of the CG Code:

Code Provision A4.1

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

The independent non-executive directors are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation 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 2009.

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 system, financial reporting matters including the review of the interim results for the six months ended 30 September 2009 and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprise of three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) of the Company, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Wong Shing Kay, Oliver is the Chairman of the committee.

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, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Tjia Boen Sien is the Chairman of the committee.

BOARD OF DIRECTORS

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

By Order of the Board

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong, 21 December 2009