Deson Development International Holdings Limited
迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board of directors (the "**Board**") of Deson Development International Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
REVENUE	*4*	**351,614**	259,417
Cost of sales		**(267,766)**	(168,056)
Gross profit		**83,848**	91,361
Other income and gains	*4*	**9,393**	11,694
Fair value gain/(loss) on investment properties		**(22,758)**	66,456
Administrative expenses		**(73,498)**	(72,349)
Other operating expenses, net		**(20,664)**	(54,502)
Finance costs	*5*	**(9,544)**	(1,566)
Share of profits and losses of associates		**(1,790)**	(4,527)
PROFIT/(LOSS) BEFORE TAX		**(35,013)**	36,567
Income tax expense	*6*	**(2,523)**	(13,165)
PROFIT/(LOSS) FOR THE YEAR		**(37,536)**	23,402

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

Year ended 31 March 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Attributable to:			
Owners of the Company		**(35,296)**	27,486
Non-controlling interests		**(2,240)**	(4,084)
		(37,536)	23,402
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	**HK(3.61) cents**	HK2.81 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2020

	2020 *HK$'000*	2019 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(37,536)**	23,402
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(82,060)**	(83,352)
Share of other comprehensive loss of associates	**(2,763)**	(1,608)
Reclassification adjustment of exchange differences of associates disposed of during the year	**(726)**	—
Reclassification adjustment of exchange differences of a subsidiary dissolved during the year	**(1,184)**	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(86,733)**	(84,960)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	**7,550**	(8,400)
Income tax effect	**(537)**	622
Leasehold land and buildings:		
Surplus/(deficit) on revaluation	**(7,218)**	14,422
Income tax effect	**1,446**	(2,663)
Share of other comprehensive income of associates	**—**	715
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**1,241**	4,696
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(85,492)**	(80,264)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(123,028)**	(56,862)
Attributable to:		
Owners of the Company	**(120,788)**	(52,790)
Non-controlling interests	**(2,240)**	(4,072)
	(123,028)	(56,862)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**352,089**	228,562
Investment properties		**947,100**	1,031,589
Investments in associates		**22,476**	27,109
Equity investment designated at fair value through other comprehensive income		**—**	9,400
Equity investments at fair value through profit or loss		**124,931**	105,380
Total non-current assets		**1,446,596**	1,402,040
CURRENT ASSETS			
Due from associates		**5,242**	4,515
Due from related companies		**1,291**	4,237
Properties held for sale under development and properties held for sale		**638,191**	973,913
Inventories		**12,729**	11,505
Accounts receivable	*9*	**34,442**	20,655
Prepayments, deposits and other receivables		**43,030**	46,789
Tax recoverable		**22,108**	27,234
Pledged deposits		**3,500**	3,000
Cash and cash equivalents		**20,099**	29,487
		780,632	1,121,335
Non-current asset classified as held for sale		**—**	68,589
Total current assets		**780,632**	1,189,924
CURRENT LIABILITIES			
Accounts payable	*10*	**8,160**	6,655
Other payables and accruals		**71,260**	299,480
Due to associates		**8,280**	5,177
Tax payable		**19,715**	22,499
Interest-bearing bank and other borrowings		**191,423**	226,632
Total current liabilities		**298,838**	560,443

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 March 2020

	Note	2020 HK$'000	2019 HK$'000
NET CURRENT ASSETS		**481,794**	629,481
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,928,390**	2,031,521
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**231,550**	192,642
Deferred tax liabilities		**181,164**	191,538
Total non-current liabilities		**412,714**	384,180
Net assets		**1,515,676**	1,647,341
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*11*	**97,788**	97,788
Reserves		**1,422,917**	1,553,485
		1,520,705	1,651,273
Non-controlling interests		**(5,029)**	(3,932)
Total equity		**1,515,676**	1,647,341

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Deson Development International Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- property development and investment; and
- trading of medical equipment and home security and automation products.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs, are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were quantified and assessed by management based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All the right-of-use assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets in the balance of property, plant and equipment in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease; and

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 April 2019

The adoption of HKFRS 16 on 1 April 2019 by the Group did not give rise to any additional lease liabilities at 1 April 2019, as the Group considered that the financial impact of the initial adoption of HKFRS 16 to be immaterial to the Group on 1 April 2019. Moreover, the Group's leasehold land previously included in property, plant and equipment of HK$135,456,000 was reclassified to right-of-use assets included in property, plant and equipment upon initial adoption of HKFRS 16 on 1 April 2019. There were no changes to different line item of assets and liabilities in the consolidated statement of financial position. The adoption has had no impact on the Group's equity as at 1 April 2019.

There is no significant difference between the amount of operating lease commitments at 31 March 2019 disclosed applying the previous standards, discounted using the incremental borrowing rate at 1 April 2019 and the amount of lease liabilities at 1 April 2019 as quantified and assessed by management.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The Group considered that the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

(a) the property development and investment business segment is engaged in property development of residential and commercial properties and the holding of investment properties; and

(b) the "others" segment comprises, principally, the trading of medical equipment and home security and automation products.

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

Segment assets exclude investments in associates, non-current asset classified as held for sale and 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 as these liabilities are managed on a group basis.

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

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

Year ended 31 March 2020

	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue (note 4)			
Sales to external customers	**302,170**	**49,444**	**351,614**
Other income and gains	**6,474**	**889**	**7,363**
	308,644	**50,333**	**358,977**
Segment results			
Operating profit	**5,069**	**723**	**5,792**
Reconciliation:			
Bank interest income			**130**
Dividend income from equity investments at fair value through profit or loss			**1,900**
Fair value loss on equity investments at fair value through profit or loss			**(14,806)**
Unallocated expenses			**(16,202)**
Finance costs			**(9,544)**
Share of profits and losses of associates			**(1,790)**
Loss on disposal of associates			**(493)**
Loss before tax			**(35,013)**
Segment assets	**1,844,120**	**149,708**	**1,993,828**
Reconciliation:			
Investments in associates			**22,476**
Corporate and other unallocated assets			**210,924**
Total assets			**2,227,228**

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2020 (continued)

	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment liabilities	**403,456**	**12,122**	**415,578**
Reconciliation:			
Corporate and other unallocated liabilities			**295,974**
Total liabilities			**711,552**
Other segment information:			
Fair value loss on investment properties	**22,758**	**—**	**22,758**
Loss on disposal of items of property, plant and equipment	**131**	**—**	**131**
Reversal of impairment of accounts receivable	**(81)**	**—**	**(81)**
Impairment of other receivables	**—**	**142**	**142**
Reversal of provision for inventories	**—**	**(360)**	**(360)**
Provision for net realisable value of properties held for sale	**4,430**	**—**	**4,430**
Depreciation of property, plant and equipment	**8,665**	**266**	**8,931**
Capital expenditure*	**6**	**1,350**	**1,356**

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2019

	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue (note 4)			
Sales to external customers	217,365	42,052	259,417
Other income and gains	9,334	388	9,722
	226,699	42,440	269,139
Segment results			
Operating profit	104,084	8,289	112,373
Reconciliation:			
Bank interest income			1,084
Dividend income from equity investments at fair value through profit or loss			722
Dividend income from a financial asset at fair value through profit or loss			48
Fair value gain on financial assets at fair value through profit or loss			118
Fair value loss on equity investments at fair value through profit or loss			(35,984)
Unallocated expenses			(8,511)
Finance costs			(1,566)
Share of profits and losses of associates			(4,527)
Impairment of investment in an associate			(27,190)
Profit before tax			36,567
Segment assets	2,248,101	29,672	2,277,773
Reconciliation:			
Investments in associates			27,109
Non-current asset classified as held for sale			68,589
Corporate and other unallocated assets			218,493
Total assets			2,591,964

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2019 (continued)

	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment liabilities	657,771	13,832	671,603
Reconciliation:			
Corporate and other unallocated liabilities			273,020
Total liabilities			944,623
Other segment information:			
Fair value gain on investment properties	(66,456)	—	(66,456)
Loss on disposal of items of property, plant and equipment	16	80	96
Impairment of accounts receivable	—	728	728
Impairment of other receivables	1,902	—	1,902
Provision for inventories	—	836	836
Reversal of provision for net realisable value of properties held for sale	(12,870)	—	(12,870)
Depreciation of property, plant and equipment	8,330	105	8,435
Capital expenditure*	9	35	44

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

Geographical information

(a) Revenue from external customers

	Hong Kong		**Mainland China**		**Consolidated**	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**30,428**	20,949	**321,186**	238,468	**351,614**	259,417

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**139,342**	149,737
Mainland China	**1,159,847**	1,110,414
	1,299,189	1,260,151

The non-current assets information above is based on the locations of the assets and excludes investments in associates, equity investments at fair value through profit or loss and equity investment designated at fair value through other comprehensive income.

Information about a major customer

Revenue of approximately HK$170,667,000 was derived from sales by the property development and investment business segment to a single customer. There was no single external customer with revenue greater than 10% or more of the Gorup's revenue for the year ended 31 March 2019.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
Income from property development and investment business	**282,301**	195,605
Income from trading of medical equipment and home security and automation products	**49,444**	42,052
Revenue from other sources:		
Gross rental income	**19,869**	21,760
	351,614	259,417

(i) Disaggregated revenue information

For the year ended 31 March 2020

	Property development and investment business	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Geographical markets:			
Hong Kong	—	30,428	30,428
Mainland China	282,301	19,016	301,317
Total revenue from contracts with customers recognised at a point in time	282,301	49,444	331,745

For the year ended 31 March 2019

	Property development and investment business	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
Geographical markets:			
Hong Kong	—	20,949	20,949
Mainland China	195,605	21,103	216,708
Total revenue from contracts with customers recognised at a point in time	195,605	42,052	237,657

4. REVENUE, OTHER INCOME AND GAINS (continued)

(ii) Performance obligations

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

Sale of properties

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

Sale of goods

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

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

An analysis of other income and gains is as follows:

	2020	2019
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**130**	1,084
Dividend income from equity investments at fair value through profit or loss	**1,900**	722
Dividend income from a financial asset at fair value through profit or loss	**—**	48
Fair value gain on financial assets at fair value through profit or loss	**—**	118
Gross rental income	**6,184**	9,137
Others	**1,179**	585
	9,393	11,694

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings	**27,963**	32,750
Less: Interest capitalised	**(18,419)**	(31,184)
	9,544	1,566

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during the year or the Group's subsidiaries had available tax losses brought forward from previous years to offset the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	2020	2019
	HK$'000	*HK$'000*
Current — Elsewhere		
Charge for the year	**2,712**	9,554
LAT in Mainland China	**4,499**	(14,040)
Deferred	**(4,688)**	17,651
Total tax charge for the year	**2,523**	13,165

7. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Special — HK0.5 cent per ordinary share (2019: Nil)	**4,890**	—
Proposed final — Nil (2019: HK0.5 cent per ordinary share)	**—**	4,890
	4,890	4,890

During the year, the special dividend of HK0.5 cent per ordinary share was approved at a special general meeting on 11 June 2019.

The proposed final dividend for the year ended 31 March 2019 was approved at the annual general meeting on 20 August 2019.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 977,880,400 (2019: 977,880,400) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the year ended 31 March 2020. In the prior year, no adjustment was made to the basic earnings per share amount presented for the year ended 31 March 2019 as the impact of share options had no dilutive effect on the basic earnings per share amount on 31 March 2019.

	2020	2019
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**(35,296)**	27,486

9. ACCOUNTS RECEIVABLE

	2020	2019
	HK$'000	*HK$'000*
Accounts receivable	**36,134**	22,470
Impairment	**(1,692)**	(1,815)
	34,442	20,655

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

9. ACCOUNTS RECEIVABLE (continued)

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

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**24,594**	14,336
91 to 180 days	**4,202**	1,846
181 to 360 days	**3,444**	12
Over 360 days	**2,202**	4,461
	34,442	20,655

The movements in the loss allowance for impairment of accounts receivable are as follows:

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**1,815**	1,087
Impairment/(reversal of impairment) losses, net	**(81)**	728
Exchange realignment	**(42)**	—
At end of year	**1,692**	1,815

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region and product type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written off if past due for more than one year and are not subject to enforcement activity.

10. ACCOUNTS PAYABLE

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

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**3,679**	2,997
91 to 180 days	**624**	—
181 to 360 days	**276**	42
Over 360 days	**3,581**	3,616
	8,160	6,655

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

11. SHARE CAPITAL

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 (2019: 1,500,000,000) ordinary shares of HK$0.10 each	**150,000**	150,000
Issued and fully paid:		
977,880,400 (2019: 977,880,400) ordinary shares of HK$0.10 each	**97,788**	97,788

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's major business segments during the year ended 31 March 2020 ("**Reporting Period**") comprise (i) property development and investment; and (ii) trading of medical equipment and home security and automation products, including the provision of related installation and maintenance services.

The Group's turnover for the year ended 31 March 2020 recorded at approximately HK$351,614,000 (2019: HK$259,417,000), representing an increase of 36% compared to last year.

Property development and investment business

The Group's turnover for the year ended 31 March 2020 generated from this segment recorded at approximately HK$302,170,000 (2019: HK$217,365,000), representing an increase of 39% as compared with last year. The turnover generated from this segment arise from the sales of properties in the People's Republic of China (the "**PRC**") and rental income earned from investment properties located in the PRC.

(i) Sales of properties

Turnover increased from approximately HK$195,605,000 for the year ended 31 March 2019 to approximately HK$282,301,000 for the year ended 31 March 2020, representing a significant increase of 44%. Sales recognised last year were mainly generated from the sales of residential blocks and shops at the street at World Expo Plaza ("**World Expo**"), Kaifeng, the PRC. During the year, the sales was mainly contributed by (i) the sales of the entire Zhu Ji Lane ("**珠璣巷**") project in Kaifeng (total saleable area of approximately 13,000 square metres ("**sq.m.**")) to a single customer at a consideration of RMB160 million; and (ii) the sales of the remaining residential blocks at World Expo.

(ii) Rental income from investment properties

Turnover decreased from approximately HK$21,760,000 for the year ended 31 March 2019 to approximately HK$19,869,000 for the year ended 31 March 2020, representing a decrease of 9%. The decrease was because of (i) one-month rental concession provided to the shopping mall tenants in Kaifeng, the PRC due to the outbreak of Coronavirus Disease 2019 (the "**COVID-19 Outbreak**"); and (ii) there was no rental income earned from Zhu Ji Lane after the sales of these properties during the year.

Segment operating profit generated from this segment during the Reporting Period amounted to approximately HK$5,069,000 (2019: HK$104,084,000). The average gross profit for the sales of the Group's properties in Kaifeng, the PRC during the Reporting Period was approximately 17% while the average gross profit for the sales of the Group's properties in Kaifeng during the same period last year was approximately 27%. The decrease in gross profit margin was due to the drop of average selling price in the PRC property market. On the other hand, the revaluation loss of HK$22,758,000 on investment properties (2019: gain of HK$66,456,000) due to the adverse impact caused by the COVID-19 Outbreak also led to the drop in segment operating profit. Due to the above reasons, a significant drop in the segment operating profit of this segment was noted even though there was an increase in turnover.

Trading of medical equipment and home security and automation products, including the provision of the related installation and maintenance services, business

The Group's turnover for the year ended 31 March 2020 generated from this segment recorded at approximately HK$49,444,000 (2019: HK$42,052,000), representing a significant increase of 18% as compared with last year. The significant increase was mainly due to the increase in sales of medical equipment for the Tseung Kwan O Hospital project. Besides, due to the COVID-19 Outbreak, there were more sales of pandemic prevention products including surgical masks and air cleaner machines.

Segment operating profit generated from this segment during the Reporting Period amounted to approximately HK$723,000 (2019: HK$8,289,000). The decrease was due to more sales of pandemic prevention products during the Reporting Period which have a lower gross profit margin than other products.

The net loss attributable to owners of the Company for the year ended 31 March 2020 amounted to approximately HK$35,296,000 as compared with the net profit attributable to owners of the Company for the year ended 31 March 2019 of approximately HK$27,486,000. The decrease was due to (i) the adverse impact from the COVID-19 Outbreak to the Group's properties revaluation as at 31 March 2020, which resulted in an aggregate fair value loss on the Group's investment properties in the PRC amounted to HK$22,758,000 (2019: fair value gain of HK$66,456,000); and (ii) the decrease in gross profit by 16% generated from the sales of properties during the year.

Loss per share for the year ended 31 March 2020 was approximately HK3.61 cents.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2020, the Group's turnover amounted to approximately HK$352 million, increased by 36% as compared with last year. Such increase was mainly contributed by the sales of the entire Zhu Ji Lane ("**珠璣巷**") project (total saleable area of approximately 13,000 sq.m.) to a single customer during the year and the increase in sales of pandemic prevention products.

Turnover generated from property development and investment business and trading of medical equipment and home security and automation products amounted to approximately HK$302.2 million and HK$49.4 million respectively, representing an increase of 39% and 18% respectively, as compared with the last reporting period.

Gross profit margin

During the year ended 31 March 2020, the Group's gross profit margin was approximately 23.8%, decreased by 11.4 percentage points as compared with last year's 35.2%. This was mainly driven by the fact that the average gross profit for the sales of the Group's properties in Kaifeng, the PRC during the Reporting Period was about 17% while the average gross profit for the sales of the Group's properties in Kaifeng during the same period last year was about 27%. The decrease in gross profit margin was due to the drop of average selling price in the PRC property market.

Other operating expenses, net

The amount decreased from approximately HK$54.5 million for the year ended 31 March 2019 to approximately HK$20.7 million for the year ended 31 March 2020. Prior year's amount mainly represented (i) the fair value loss on equity investments at fair value through profit or loss of HK$36.0 million; and (ii) the impairment loss of the Group's investment in Deson Construction International Holdings Limited ("**DCIHL**") amounted to HK$27.2 million. This year's amount mainly represented the aggregate fair value loss on the equity investments at fair value through profit or loss amounted to HK$14.8 million.

Share of profits and losses of associates

For the year ended 31 March 2020, the Group's share of losses of associates amounted to approximately HK$1.8 million, decreased by 60% as compared with the share of losses of associates amounted to approximately HK$4.5 million during the last reporting period. It is because of the disposal of its loss-making associate, DCIHL, in June 2019. No further loss of DCIHL was shared by the Group after the disposal of the Group's equity interest in DCIHL.

Liquidity and financial resources

As at 31 March 2020, the Group had total assets of approximately HK$2,227,228,000, which were financed by total liabilities, shareholders' equity and non-controlling interests of approximately HK$711,552,000, approximately HK$1,520,705,000 and approximately HK$5,029,000 (debit balance), respectively. The Group's current ratio as at 31 March 2020 was 2.61 as compared with 2.12 as at 31 March 2019.

As at 31 March 2020, the gearing ratio of the Group was 21% (2019: 19%). It was calculated based on the non-current liabilities of approximately HK$412,714,000 (2019: HK$384,180,000) and long-term capital (equity and non-current liabilities) of approximately HK$1,928,390,000 (2019: HK$2,031,521,000).

Capital expenditure

Total capital expenditure for the year ended 31 March 2020 was approximately HK$1,356,000, which was mainly used in the purchase of equipment for a new hotel in Kaifeng, the PRC.

Contingent liabilities

As at 31 March 2020, the Group had no significant contingent liabilities.

Commitments

As at 31 March 2020, the Group had capital commitments contracted, but not provided for, of approximately HK$13,111,000.

Charges on group assets

Assets with an aggregate carrying value of approximately HK$968,070,000 were pledged as securities for the Group's banking facilities.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2020. The Group strives to reduce its exposures to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Exchange risk exposure

The Group is mainly exposed to balances denominated in Renminbi ("**RMB**"), which mainly arise from certain 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 against changes in exchange rates of RMB against HKD. However, management monitors the related foreign currency exposures closely and will consider hedging significant foreign currency exposures should the need arise.

PROSPECTS

Property development and investment

On 9 June 2005, the Group was granted the land use rights of a development site in Long Ting District of the city of Kaifeng, Henan Province, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 221,000 sq.m.. The name of this project is "**Century Place, Kaifeng**". Up to the date of this announcement, the construction of a gross floor area of approximately 190,000 sq.m. has been completed and achieved a total sales contract sum of approximately RMB761 million. The remaining part of the land (Section G) is under construction, and it is expected that the construction will be completed by the last quarter of 2020 and the pre-sale will start in the first quarter of 2021.

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

	CURRENT USE	**AREA** *(approximately sq.m.)*
Section A	Investment properties — Shops (leased out)	53,600
Section B	Properties held for sales — Apartments	200
	Car park	81
Section C	Properties held for sales — Villas	6,000
Section D	Properties held for sales — Offices	1,200
	Car park	10
Section E	Properties held for sales — Shops	1,200
Section F	Properties held for sales — Shops	11,100
	Car park	89
Section G	Properties held for sales under development — Apartments and shops	31,000

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

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 PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 95,000 sq.m.. The name of this project is "**World Expo, Kaifeng**". Up to the date of this announcement, this project has been completed and achieved a total sales contract sum of approximately RMB542 million.

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

	CURRENT USE	**AREA** *(approximately sq.m.)*
Commercial A	Property, plant and equipment — Hotel	14,000
Commercial B	Properties held for sales — Shops	2,600
	Property, plant and equipment — Animation center	5,000
Residential 1–3	Properties held for sales — Apartments	8,900
	Car park	159

The construction works of the hotel in Kaifeng, the PRC have been completed during the year.

The animation center was named "Qing-Ming Riverside Anime Exhibition" and used to show the animation of 清明上河圖 which was shown in 2010 Shanghai Expo. The Board decided to terminate the animation business and has been seeking for potential buyer for the animation center together with the remaining properties at World Expo, Kaifeng, the PRC.

In September 2014, the Group was granted another land use right in Kaifeng, the PRC. The name of the project is Zhu Ji Lane ("**珠璣巷**"). The Group has developed a commercial street project with a total gross floor area of approximately 13,000 sq.m.. It was put in use during the 27th World Hakka Conference which was held in October 2014. As at the date of this announcement, the project has been completed. The Group entered into a sale and purchase agreement with an independent third party for the sales of the entire Zhu Ji Lane project to a single buyer for a consideration of RMB160 million and the transaction has been completed during the year.

In Mainland China, the pace of economic growth is likely to be lower than previous years due to factors including the US-China trade conflict and the severe impact of the COVID-19 Outbreak. However, it is expected that the Chinese Government will provide necessary fiscal stimulus and formulate accommodative monetary policy to maintain a stable economic growth.

In Hong Kong, the local economy continues to be affected by economic development in Mainland China, the US-China trade war, and potential continuation of social and political events. The COVID-19 Outbreak is expected to worsen the economic outlook. Sectors such as retail, catering, tourism, and exports are expected to be impacted the most. Further slide of local economy and downward adjustments in the property market seems inevitable for the rest of 2020.

The Board remains optimistic about the property market in Mainland China. With its good experience in the property market of the PRC, the Group may acquire additional land to enrich the Group's land reserve, specifically in Guangdong — Hong Kong — Macao Greater Bay Area, which is adjacent to Hong Kong. However, the Group has no specific investment plan in relation to any particular project as at the date of this announcement.

Formation of an investment company for the property investment and/or redevelopment in Hong Kong

On 15 October 2018, the Group has entered into a subscription agreement ("**Subscription Agreement**") with Excel Castle International Limited ("**Excel Castle**"), a company incorporated in the British Virgin Islands ("**BVI**"), pursuant to which the Group has conditionally agreed to subscribe for the subscription shares, representing 6% of the enlarged issued share capital of Excel Castle at a consideration of US$900,000 (equivalent to approximately HK$7.0 million) ("**Subscription**"). On the same date, the Group, Excel Castle and Southern Victory Investments Limited ("**SVIL**"), a company incorporated in the BVI, have entered into a shareholders' agreement ("**Shareholders' Agreement**") governing the affairs of Excel Castle and the provision of the shareholder's loan with an amount up to HK$62,980,000 by the Group, which has taken effect on the completion date of the Subscription.

Excel Castle is an investment holding company to hold directly a company incorporated in Hong Kong that is engaged in the business of investment holding, property investment and/or redevelopment in Hong Kong and which in turn holds eight other wholly-owned subsidiaries (together with Excel Castle, collectively referred to as the "**Excel Castle Group**").

Each of SVIL and the Group agreed to make available the maximum contributions to Excel Castle of approximately HK$987 million and HK$63 million, respectively in various instalments in such amounts in proportion of their shareholdings on such dates as from time to time to be determined by the board of directors of Excel Castle for the purpose of financing the business of the Excel Castle Group and/or the redevelopment project of the Excel Castle Group.

The Directors (including the independent non-executive Directors) considered that the Subscription Agreement and the Shareholders' Agreement were on normal commercial terms. Taking into account the expected return to be generated from the proposed property development project through the investment in Excel Castle, the Directors considered that the terms of the Subscription Agreement and the Shareholders' Agreement were fair and reasonable and in the interests of the Company and the Shareholders as a whole. The transaction was completed on 9 November 2018.

On 4 March 2020, the Group entered into a sale and purchase agreement with SVIL to acquire a further 2% of the issued share capital of Excel Castle from SVIL and the corresponding shareholder's loan at a cash consideration of HK$4,194,000. Since then, the Group holds 8% issued share capital of Excel Castle. The Directors considered the acquisition provided the Group an opportunity to increase its investment in Excel Castle with a view to being benefited from the long-term returns from future revenue from the property development. On the same date, the Group also entered into a supplemental shareholders' agreement with SVIL that the maximum contribution amounts by both shareholders by means of the provision of shareholders' loans were revised to HK$67 million by the Group and HK$769 million by SVIL.

As the Group does not have significant influence over Excel Castle, the investment is classified as an equity investment at fair value through profit or loss.

As at 31 March 2020, total investment made by the Group was approximately HK$74 million. As at the end of the Reporting Period, Excel Castle Group has one property project only, that is to acquire an old commercial building at Tsim Sha Tsui ("**TST Property**") for redevelopment. Since over 80% of the titles of the building has been acquired from the old landlords of the TST Property, the remaining portion has been under compulsory auction and the ownership of the remaining property has been obtained. Excel Castle Group expected to develop the TST Property into a modern commercial building with more saleable area. The whole redevelopment project is expected to be completed in 2024.

As at 31 March 2020, the carrying amount of the Group's interest in Excel Castle Group was approximately HK$50,407,000.

Formation of companies for the property investment and/or redevelopment in Shanghai

In 2019, the Group has invested in two property projects in Shanghai, being the property redevelopment of residential apartments at Wuyi Road, Changning District, Shanghai, the PRC ("**Project Embassy**") and property redevelopment of offices and carparks at West Huaihai Road, Changning District, Shanghai, the PRC ("**Project Stone**"). The total investments on these two projects as at 31 March 2020 were approximately HK$21 million.

As at 31 March 2020, the aggregate carrying amount of these two projects was approximately HK$16,493,000.

Project Embassy is a low-rise building in Shanghai located next to the Embassy of Belgium. The building contains eight apartments with a total gross floor area of approximately 867 sq.m.. It is co-invested with an independent third party through a company registered in BVI in which the Group has 10% equity interest.

Project Stone is an office building, named as Shanghai City Point. It is located in a grade A mixed-use building in Changning District, the PRC. Project Stone acquired four floors of a building with a total gross floor area of approximately 6,668 sq.m.. This project is co-invested with the same independent third party as Project Embassy in a company registered in BVI in which the Group has 5% equity interest.

Project Embassy and Project Stone have been refurbished and seeking for potential buyers. As the Group does not have significant influence over Project Stone and Project Embassy, the investments are classified as equity investments at fair value through profit or loss.

Regarding the Starway Parkview South Station Hotel project ("**Project Parkview**"), it is located in Xuhui West Bund area, adjacent to Shanghai Botanical Garden. The hotel was built in 2003 with a total gross floor area of approximately 7,319 sq.m. and 56 rooms. It is co-invested with an independent third party and the Group has 30% equity interest, which is accounted for as an associate. The hotel has been converted into 66-rooms rental apartments with plenty of shared common area combined with mixed retail and modern gym, swimming pool and tennis court. The renovation works of Project Parkview have been completed and it was renamed as "Cohost West Bund", a co-living apartment in Shanghai and the Group will focus on its asset management and leasing business of Project Parkview.

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

Participation in a real estate investment fund

On 23 April 2019, the Group has entered into a general-partner shareholders' agreement with Gusto Brave Limited, a representing entity of Pamfleet Group ("**Pamfleet**"), and Pamfleet China GP II Limited ("**Pamfleet China**") to act as a general partner of a fund manager for property investment.

The Group owns 30% equity interest in Pamfleet China. Pamfleet is an independent and privately-owned real estate investment advisor with offices in Hong Kong, Singapore and Shanghai. Pamfleet's experienced team seeks to create long-term value through knowledgeable deal sourcing, disciplined acquisitions, active asset management, rebranding and refurbishment with an emphasis on design, anticipating tenant and community requirements and delivering good value for money. Members of the management team of Pamfleet have been involved in the selection and management of real estate investments throughout Asia for over 20 years.

Pamfleet and the Group operate with a flat organisational structure, which allows and encourages collaboration.

Up to the end of the Reporting Period, the fund managed by Pamfleet China is Pamfleet Shanghai Real Estate Fund II ("**PSREFII**"). The Group has also acted as a limited partner (holds 1.5%) of PSREFII. PSREFII seeks to capitalise on Pamfleet's track record of its successful investments in under-performing, under-priced and distressed real estate with repositioning and value-add potential in Shanghai and other tier-one cities in Mainland China. The investment strategy of PSREFII is to identify, structure and execute successful asset repositioning investments in Shanghai and other tier-one cities in Mainland China. Up to the end of the Reporting Period, the total investment made by the Group was approximately HK$6 million.

As at 31 March 2020, the carrying amount of this investment in the real estate investment fund was approximately HK$3,992,000.

Up to the end of the Reporting Period, there was only one project operated by PSREFII. The name of the project is Project Hub.

The property is located at the junction of Daning Road and Gonghexin Road within Daning Commercial Area of Jing An District. It has a total gross floor area of around 250,000 sq.m., with around 200,000 sq.m. above ground and 50,000 sq.m. under ground. PSREFII targets to build shops and offices with a saleable area of 37,547 sq.m.. The retail part within the development is a popular regional lifestyle hub and shopping destination. Major tenants are expected to be the operators from the food and beverage, entertainment and education industries.

Trading of medical equipment and home security and automation products

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

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

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

Hotel operation

As mentioned under the paragraph "**Prospects — Property development and investment**", the construction works of the hotel in Kaifeng, the PRC have been completed during the year. The Group has signed an agreement with 六州酒店管理(上海)有限公司 to operate the hotel under the name of "Holiday Inn Express Kaifeng City Center" ("**Holiday Inn Express Kaifeng**"). Holiday Inn Express is one of the world famous selected service hotel brands. Holiday Inn Express Kaifeng was opened in January 2020. Due to the COVID-19 Outbreak, Holiday Inn Express Kaifeng was closed in February 2020 and resumed its business in March 2020. The Group will monitor the developments of the COVID-19 Outbreak situation closely, assess and react actively to its impacts on the operation of Holiday Inn Express Kaifeng.

Holiday Inn Express Kaifeng is located in the city centre of Kaifeng with a total gross floor area of approximately 14,000 sq.m.. It consisits of 243 guest rooms, including 100 king bed standard rooms, 106 single bed standard rooms, 18 king bed superior rooms, 18 single bed superior rooms and 1 suite. There are also 3 meeting rooms with a total gross floor area of approximately 460 sq.m..

Disposal of Deson Construction International Holdings Limited and its subsidiaries

Reference is made to the joint announcement of the Company, DCIHL and Energy Luck Limited ("**Energy Luck**") dated 12 April 2019 (the "**Joint Announcement**"). Unless otherwise defined, terms used herein have the same meanings as those defined in the Joint Announcement.

On 12 April 2019, Deson Development Holdings Limited ("**DDHL**"), a wholly-owned subsidiary of the Company, Sparta Assets Limited ("**Sparta Assets**") and Mr. Tjia Boen Sien ("**Mr. Tjia**") as sellers, Energy Luck as purchaser entered into the Sale and Purchase Agreement whereby each of DDHL, Sparta Assets and Mr. Tjia had conditionally agreed to sell, and Energy Luck had conditionally agreed to purchase from each of DDHL, Sparta Assets and Mr. Tjia, the Sale Shares, being in aggregate of 361,302,082 DCIHL Shares, representing approximately 36.13% of the issued share capital of DCIHL at the Consideration of approximately HK$79,486,000 (representing a purchase price of HK$0.22 per Sale Share) ("**DCIHL Disposal**").

Upon completion of the Sale and Purchase, each of the Company, DDHL, Sparta Assets and Mr. Tjia ceased to have any shareholding interest in DCIHL.

Up to the DCIHL Disposal, DCIHL was an investment holding company and the principal activities of its subsidiaries consisted of (a) the construction business, as a main contractor and fitting-out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau, and other construction related business; (b) investment in securities; and (c) investment in properties.

The Board considered that the DCIHL Disposal provided an attractive exit opportunity for the Group to realise its long-term investment in DCIHL. The DCIHL Disposal enabled the Group to recycle capital into the existing property development and investment business. The Directors were of the view that the DCIHL Disposal would benefit the Group by realising its investment and also strengthen the liquidity and overall financial position of the Group. Having regard to the prevalent unstable economy and financial market conditions, the purpose of the use of proceeds for development and expansion of the existing businesses, for general working capital purpose and for the return to the shareholders of the Company, the Board (including the independent non-executive directors of DDIHL) considered that the terms of the Sale and Purchase Agreement, the Sale Price and the DCIHL Disposal, which were determined on an arm's length basis, were fair and reasonable and on normal commercial terms and were in the interests of the Company and its Shareholders as a whole.

For details, please refer to the Joint Announcement and the Circular of the Company dated 24 May 2019.

The DCIHL Disposal was approved by the shareholders of the Company at the Special General Meeting of the Company held on 11 June 2019. The DCIHL Disposal was completed on 18 June 2019. Upon completion, DCIHL ceased to be an associated company of the Company.

HUMAN RESOURCES

As at 31 March 2020, the Group had 180 employees, 134 of whom were based in the PRC and the remaining employees were based in Hong Kong. The total employee benefits expenses included directors' emoluments for the year ended 31 March 2020 was approximately HK$30.0 million as compared with approximately HK$24.3 million last year. The increase was because the Group has commenced the operation of Holiday Inn Express Kaifeng during the year and thus more staff were recruited. On the other hand, more bonuses were paid to Directors in May 2019.

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

EVENTS AFTER THE REPORTING PERIOD

The COVID-19 Outbreak

The COVID-19 Outbreak since early 2020 has continued in China and countries across the world. The Group will monitor the developments of the COVID-19 Outbreak closely and will assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment was still in progress. Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be disclosed in the Group's 2020/21 interim and annual financial statements.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2020.

CAPITAL STRUCTURE

There was no change of the capital structure of the Company during the year ended 31 March 2020.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

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

The following is the change in the information of the Directors since the interim report of the Company dated 25 November 2019, which is required to be disclosed pursuant to the Rule 13.51B(1) of the Listing Rules:

Mr. Tjia Boen Sien

Resigned as the chairman and non-executive director of DCIHL (stock code: 8268), a company with its shares listed on the GEM of the Stock Exchange, on 29 July 2019.

Dr. Ho Chung Tai, Raymond

Appointed as an independent non-executive director of Fu Shek Financial Holdings Limited (stock code: 2263), a company with its shares listed on the main board of the Stock Exchange, on 18 February 2020.

Resigned as the chairman and non-executive director of SCUD Group Limited (stock code: 1399), a company with its shares listed on the main board of the Stock Exchange, on 19 May 2020 and 16 June 2020 respectively.

Mr. Siu Kam Chau

Appointed as executive director of Power Financial Group Limited (stock code: 397), a company with its shares listed on the main board of the Stock Exchange, on 29 April 2020.

CONTINUING CONNECTED TRANSACTIONS

Administrative services agreement

On 1 April 2017, Grand On Enterprise Limited ("**Grand On**"), a wholly-owned indirect subsidiary of the Company, and Deson Development Limited ("**DDL**"), an associate of the Company, entered into an administrative services agreement ("**Administrative Services Agreement**"), pursuant to which DDL, as a service provider, has agreed to provide Grand On certain administrative services including provision of office facilities, utilities and equipment support, cleaning services, administrative support and information technology system and technical training support, for a term of two years from 1 April 2017 to 31 March 2019. In consideration of the provision of such administrative services, Grand On shall pay DDL a service fee, based on DDL's actual direct and indirect cost incurred in the supply and procuring of the supply of such services, including overheads, human and/or other resources. The annual service fee payable by Grand On to DDL for each of the financial years ended 31 March 2018 and 31 March 2019 did not exceed HK$600,000.

On 7 March 2019, the Administrative Services Agreement was renewed for a term of one year from 1 April 2019 to 31 March 2020. The annual service fee payable by Grand On to DDL for the year ended 31 March 2020 did not exceed HK$480,000.

Leases of office premises in Hong Kong

(i) On 15 April 2017, Grand On as landlord and DDL as tenant, entered into a tenancy agreement, for the rental of certain portions of the Nanyang Plaza property located at 11th Floor of Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong with an aggregate floor area of approximately 9,500 square feet ("**sq. ft.**") and the joint rights to occupy and use a common area with an aggregate floor area of approximately 3,200 sq. ft.. The term of tenancy was from 1 April 2017 to 31 March 2019, with a rental of HK$143,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for each of the financial years ended 31 March 2018 and 31 March 2019 did not exceed HK$1,716,000.

    On 15 April 2019, the tenancy agreement was renewed for a term of one year from 1 April 2019 to 31 March 2020, with a rental of HK$209,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for the year ended 31 March 2020 did not exceed HK$2,508,000.

(ii) On 15 April 2017, Grand On entered into a tenancy agreement ("**Tenancy Agreement**") with Fitness Concept Limited, a company wholly-owned by Mr. Tjia, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of a property of the Group in Hong Kong. The Tenancy Agreement was for a term of three years commencing from 1 April 2017 to 31 March 2020 at monthly rent of HK$25,500. The rental income earned during the year ended 31 March 2020 from this Tenancy Agreement was approximately HK$306,000.

    On 15 April 2020, the Tenancy Agreement was renewed for a term of two years from 1 April 2020 to 31 March 2022, with a rental of HK$25,500 per month payable in advance. The annual rental fee payable by Fitness Concept Limited to Grand On for the year ending 31 March 2021 is not expected to exceed HK$306,000.

    Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 43.34% equity interest in the Company at the time entering into the Tenancy Agreement, 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 less than 5% and the total considerations involved were less than HK$3,000,000, pursuant to Rule 14A.33 of the Listing Rules, the transactions were exempted from the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with most of the code provisions ("**Code Provisions**") as set out in the Code on Corporate Governance Practices ("**CG Code**") as contained in Appendix 14 to the Listing Rules save for the deviation from the Code Provision A.4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Summary of deviation of the CG Code:

Code Provision A.4.1

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2020. The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary results announcement have been agreed by the Company's auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on the preliminary results announcement.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls, risk management and financial reporting matters including the review of the annual results for the year ended 31 March 2020, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprises of three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The annual results of the Group for the year ended 31 March 2020 have been reviewed by the audit committee members who have provided advice and comment thereon.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

On 17 December 2019, the Group disposed all 5% equity interest held by the Group in Fortune Taker Limited, a company incorporated in the BVI, and its subsidiaries, at an aggregate consideration of RMB15,000,000 (equivalent to approximately HK$16,500,000). The investment in Fortune Taker Limited was accounted for as a financial asset at fair value through other comprehensive income of the Group before the disposal.

For details, please refer to the announcement of the Company dated 17 December 2019.

Except the above and the investments made to PSREFII and Excel Castle under the section headed "**Prospects**", the Group did not have any other significant investment, material acquisition or disposal during the year.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**AGM**") will be held on Monday, 17 August 2020. A notice convening the AGM will be published and despatched to the Company's shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from 12 August 2020 to 17 August 2020, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 11 August 2020.

DIVIDEND

No interim dividend was paid during the year (2019: Nil).

On 11 June 2019, the Company declared a special dividend of HK0.5 cent per ordinary share.

The Directors do not recommend the payment of a final dividend (2019: HK0.5 cent per ordinary share) in respect of the year.

PUBLICATION OF FURTHER FINANCIAL INFORMATION

The annual results announcement is published on the Stock Exchange website (http://www.hkex.com.hk) and the Company's website (http://www.deson.com). The annual report for the year ended 31 March 2020 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Stock Exchange website and the Company's website in due course.

By Order of the Board
Deson Development International Holdings Limited
Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong, 26 June 2020

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