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DESON CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

迪臣建設國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8268)

FIRST QUARTERLY RESULTS

FOR THE THREE MONTHS ENDED 30 JUNE 2020

CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Deson Construction International Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2020 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2020

		(Unaudited)	
		Three months ended	
		30 June	
	<i>Notes</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	78,433	126,648
Cost of sales		<u>(70,541)</u>	<u>(120,875)</u>
Gross profit		7,892	5,773
Other income and gains	4	446	331
Administrative expenses		(7,876)	(8,746)
Other operating income, net		100	12
Finance costs	6	<u>(17)</u>	<u>(174)</u>
PROFIT/(LOSS) BEFORE TAX	5	545	(2,804)
Income tax	7	<u>—</u>	<u>—</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>545</u>	<u>(2,804)</u>
Attributable to:			
Owners of the Company		588	(3,057)
Non-controlling interests		<u>(43)</u>	<u>253</u>
		<u>545</u>	<u>(2,804)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK0.06 cent</u>	<u>HK(0.31) cent</u>
Diluted		<u>HK0.06 cent</u>	<u>HK(0.31) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 30 June 2020

	(Unaudited)	
	Three months ended	
	30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE PERIOD	545	(2,804)
	<u>545</u>	<u>(2,804)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	—	165
	<u>—</u>	<u>165</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	545	(2,639)
	<u>545</u>	<u>(2,639)</u>
Attributable to:		
Owners of the Company	588	(3,128)
Non-controlling interests	(43)	489
	<u>(43)</u>	<u>489</u>
	<u>545</u>	<u>(2,639)</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

For the three months ended 30 June 2020

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Issued capital	Share premium	Contributed surplus	Property revaluation reserve	Exchange fluctuation reserve	Reserve funds	Retained profits			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2019 (audited)	25,000	9,381	(5,372)	15,788	3,543	5,581	56,401	110,322	(10,609)	99,713
Loss for the period	—	—	—	—	—	—	(3,057)	(3,057)	253	(2,804)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	(71)	—	—	(71)	236	165
Total comprehensive income/(loss) for the period	—	—	—	—	(71)	—	(3,057)	(3,128)	489	(2,639)
Release of property revaluation reserve	—	—	—	(115)	—	—	115	—	—	—
At 30 June 2019	<u>25,000</u>	<u>9,381</u>	<u>(5,372)</u>	<u>15,673</u>	<u>3,472</u>	<u>5,581</u>	<u>53,459</u>	<u>107,194</u>	<u>(10,120)</u>	<u>97,074</u>
At 1 April 2020 (audited)	25,000	9,381	(5,372)	14,580	3,367	5,581	53,644	106,181	(9,154)	97,027
Profit for the period and total comprehensive income/(loss) for the period	—	—	—	—	—	—	588	588	(43)	545
Release of property revaluation reserve	—	—	—	(117)	—	—	117	—	—	—
At 30 June 2020	<u>25,000</u>	<u>9,381</u>	<u>(5,372)</u>	<u>14,463</u>	<u>3,367</u>	<u>5,581</u>	<u>54,349</u>	<u>106,769</u>	<u>(9,197)</u>	<u>97,572</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Deson Construction International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 18 July 2014. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally involved in the following activities: (i) 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, Mainland China and Macau, and other construction related business; (ii) investment in securities; (iii) property investment; and (iv) money lending business.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2020 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 Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and financial assets at fair value through profit or loss 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.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 30 June 2020 are consistent with those adopted in the audited consolidated financial statements for the year ended 31 March 2020.

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of these new and revised HKFRSs has had no material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (three months ended 30 June 2019: three) reportable operating segments as follows:

- (a) the construction business segment is engaged in construction contract works, as a main contractor, decoration, as well as the provision of electrical and mechanical engineering services;
- (b) the securities investment segment is engaged in investment in securities;
- (c) the property investment business segment is engaged in the holding of investment properties; and
- (d) the money lending business.

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

For the three months ended 30 June

	Construction business		Securities investment		Property investment		Money lending business		Total	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Income from external customers	76,767	129,224	1,506	(2,714)	20	138	140	—	78,433	126,648
Other income and gains	45	88	—	—	—	—	—	—	45	88
	<u>76,812</u>	<u>129,312</u>	<u>1,506</u>	<u>(2,714)</u>	<u>20</u>	<u>138</u>	<u>140</u>	<u>—</u>	<u>78,478</u>	<u>126,736</u>
Segment result:										
Operating profit/(loss)	(851)	1,206	1,506	(2,714)	6	111	50	—	711	(1,397)
Reconciliation:										
Interest income									401	243
Unallocated expenses									(550)	(1,476)
Finance costs									(17)	(174)
Profit/(loss) before tax									<u>545</u>	<u>(2,804)</u>
Other segment information:										
Reversal of impairment of accounts receivable, net	(105)	—	—	—	—	—	—	—	(105)	—
Loss on disposal of items of property, plant and equipment	5	—	—	—	—	—	—	—	5	—
Amortisation of an intangible asset	—	—	—	—	—	—	11	—	11	—
Depreciation of property, plant and equipment	253	192	—	—	—	—	—	—	253	192
	<u>253</u>	<u>192</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>253</u>	<u>192</u>

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

Revenue from external customers

	(Unaudited)	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong	66,717	101,277
Mainland China	11,716	25,371
	78,433	126,648

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Income from the construction contracting and related businesses	76,767	129,224
Revenue from other sources		
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	1,393	(2,714)
Dividend income from equity investments at fair value through profit or loss	16	—
Interest income on debt investments at fair value through profit or loss	97	—
Interest income on loans receivable	140	—
Gross rental income	20	138
	78,433	126,648

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

	(Unaudited)	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Building construction works	14,814	37,336
Electrical and mechanical engineering works	39,570	17,462
Fitting-out works	22,383	74,426
	<hr/>	<hr/>
Total revenue from contracts with customers transferred over time	<u>76,767</u>	<u>129,224</u>

(ii) Performance obligation

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

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 14 days to 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Other income and gains

An analysis of other income and gains is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Other income and gains		
Interest income	401	243
Others	45	88
	<hr/>	<hr/>
	<u>446</u>	<u>331</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	(Unaudited)	
	Three months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of construction contracting	70,541	120,875
Depreciation of property, plant and equipment	253	192
Amortisation of an intangible asset	11	—
Lease payments not included in the measurement of lease liabilities	814	858
Rental income on investment properties	(20)	(138)
Less: outgoings	5	9
Net rental income	<u>(15)</u>	<u>(129)</u>
Employee benefit expense (including directors' remuneration):		
Wages, salaries and allowances	7,119	7,741
Pension scheme contributions*	154	202
Less: Amount included in cost of construction contracting	<u>(2,414)</u>	<u>(2,891)</u>
	<u>4,859</u>	<u>5,052</u>
Loss on disposal of items of property, plant and equipment [^]	5	—
Reversal of impairment of accounts receivable, net [^]	(105)	—
Foreign exchange differences, net [^]	—	(12)
	<u> </u>	<u> </u>

* At 30 June 2020, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2020: Nil).

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest on lease liabilities	16	—
Interest on interest-bearing bank borrowings	132	171
Interest on convertible bonds	—	172
Less: Interest capitalised	(131)	(169)
	17	174

7. INCOME TAX

Hong Kong profits tax had been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the three months ended 30 June 2020 and 2019, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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 earnings/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (30 June 2019: 1,000,000,000) in issue during the Reporting Period.

The Group had no potentially dilutive ordinary shares in issue during the three months ended 30 June 2020.

For the three months ended 30 June 2019, the calculation of diluted loss per share amount is based on the loss for the period attributable to owners of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during that period, as used in the basic loss 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.

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

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	(Unaudited)	
	Three months ended 30 June	
	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	588	(3,057)
Interest on convertible bonds (note 6)	—	172
	<u>588</u>	<u>172</u>
Profit/(loss) attributable to ordinary equity holders of the Company before the effect of convertible bonds	<u>588</u>	<u>(2,885)*</u>

	(Unaudited)	
	Three months ended 30 June	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,000,000,000	1,000,000,000
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds*	—	5,079,452
	<u>1,000,000,000</u>	<u>1,005,079,452</u>

* For the period ended 30 June 2019, because the diluted loss per share amount was decreased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for the period and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amount was based on the loss attributable to owners of the Company for that period of HK\$3,057,000, and the weighted average number of ordinary shares of 1,000,000,000 in issue during that period.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2020 (three months ended 30 June 2019: Nil).

10. SHARE CAPITAL

Shares

	(Unaudited)	(Audited)
	30 June	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
4,000,000,000 ordinary shares of HK\$0.025 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.025 each	<u>25,000</u>	<u>25,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal businesses are: (i) acting as a contractor in the building industry operating in Hong Kong, the mainland of the People's Republic of China (the "PRC") and Macau, where we provide one-stop comprehensive services with the following three major types of services: (a) building construction works; (b) electrical and mechanical engineering ("E&M") works; and (c) alterations, addition, renovation, refurbishment and fitting-out works ("Interior fitting-out works"); (ii) investment in securities, where the Group invests in long term and short term investments in marketable securities; (iii) property investment in Hong Kong, where the Group acquires properties and earns rental income; and (iv) money lending business.

The Group's revenue for the three months ended 30 June 2020 amounted to approximately HK\$78,433,000 which represented a decrease of approximately 38% from approximately HK\$126,648,000 for the three months ended 30 June 2019. For construction business segment, revenue for the three months ended 30 June 2020 amounted to approximately HK\$76,767,000 which represented a decrease of approximately 41% from approximately HK\$129,224,000 for the three months ended 30 June 2019. For securities investment segment, revenue for the three months ended 30 June 2020 amounted to a gain of approximately HK\$1,506,000 which represented an increase of approximately 155% from a loss of approximately HK\$2,714,000 for the three months ended 30 June 2019. For property investment segment, revenue for the three months ended 30 June 2020 amounted to approximately HK\$20,000 which represented a decrease of approximately 86% from approximately HK\$138,000 for the three months ended 30 June 2019. For money lending business segment, revenue for the three months ended 30 June 2020 recorded at approximately HK\$140,000, while nil for the three months ended 30 June 2019.

(i) Construction business segment

(a) *Building construction works:*

For the three months ended 30 June 2020, revenue recorded from building construction works amounted to approximately HK\$14,814,000 (three months ended 30 June 2019: HK\$37,336,000). The decrease of approximately 60% when compared with the corresponding period in 2019 was mainly due to recognition of a large portion of revenue for the main construction works of the residential redevelopment works including E&M works at Peak Road House A, Hong Kong which was commenced in January 2018 in the last reporting period.

(b) *Electrical and mechanical engineering works:*

For the three months ended 30 June 2020, revenue generated from electrical and mechanical engineering works amounted to approximately HK\$39,570,000 (three months ended 30 June 2019: approximately HK\$17,462,000).

The significant increase of approximately 127% when compared to the corresponding period in 2019 was mainly due to the (i) triennial term contract for operation and maintenance of air-conditioning installations at Attended Municipal Venues in Hong Kong commenced in April 2020; and (ii) additional revenue recognised for projects including replacement of automatic fire alarm system in Pamela Youde Nethersole Eastern Hospital and building services installation for the construction of two special schools at To Kwa Wan, Hong Kong.

(c) *Interior fitting-out works:*

For the three months ended 30 June 2020, revenue generated from interior fitting-out works amounted to approximately HK\$22,383,000 (three months ended 30 June 2019: HK\$74,426,000).

The significant decrease of approximately 70% when compared to the corresponding period in 2019 was mainly due to (i) the interior fitting-out works at House A and House C at Stubbs Road, Hong Kong having generated more revenue in the last reporting period were almost completed in March 2020 and therefore not much revenue was recognised in the Reporting Period; and (ii) Beijing had yet to resume normal business and therefore less revenue was recognised in the Reporting Period.

(ii) Investment in marketable securities segment

For the three months ended 30 June 2020, gain recorded from this segment amounted to approximately HK\$1,506,000 (three months ended 30 June 2019: loss of approximately HK\$2,714,000).

As at 30 June 2020, the Group managed a portfolio of listed equity investments and unlisted debt investments with an aggregate fair value of approximately HK\$33 million (31 March 2020: approximately HK\$32 million) which are classified as financial assets at fair value through profit or loss.

During the Reporting Period, the Group recorded (i) unrealised loss on fair value change of listed equity investments of approximately HK\$170,000 (three months ended 30 June 2019: nil) and unrealised gain on fair value change of unlisted debt investments of approximately HK\$453,000 (three months ended 30 June 2019: nil); (ii) a realised gain of approximately HK\$1,110,000 (three months ended 30 June 2019: realised loss of approximately HK\$2,714,000); (iii) interest income received from unlisted debt investments of approximately HK\$97,000 (three months ended 30 June 2019: nil); and (iv) dividend income received from equity investments of approximately HK\$16,000 (three months ended 30 June 2019: nil). Details of the marketable securities are disclosed under the section headed “**SIGNIFICANT INVESTMENTS**”.

(iii) Property investment segment

For the three months ended 30 June 2020, revenue generated from this segment amounted to approximately HK\$20,000 (three months ended 30 June 2019: approximately HK\$138,000). It was mainly attributable to rental income earned from the investment properties.

The Group’s existing property portfolio consists of commercial properties in Hong Kong which generate rental income.

(iv) Money lending business segment

For the three months ended 30 June 2020, revenue generated from this segment amounted to approximately HK\$140,000 (three months ended 30 June 2019: nil).

Basic earnings per share is HK0.06 cent for the three months ended 30 June 2020.

Status of the legal case

As stated in the announcement of the Company dated 21 December 2017, the Group has reported to the Beijing Public Security Bureau a suspected case of internet fraud which involved fraudulent transfers of funds of approximately HK\$22 million (approximately RMB19 million) from the bank account of Beijing Chang-de Architectural & Decoration Co., Limited. The matter is currently under the investigation of the Beijing Public Security Bureau. The Group has instructed its legal advisers in the PRC to take various actions to recover the funds/damages. As at the date of this announcement, we are unable to ascertain the recoverability of the funds transferred or damage caused.

The Group will make further announcement when there is any significant development in respect of the matter.

FINANCIAL REVIEW

Turnover

For the three months ended 30 June 2020, the Group's turnover amounted to approximately HK\$78 million, decreased by approximately 38% as compared to the last corresponding period. The decrease in turnover was mainly due to the decrease in turnover arising from the projects of the interior fitting-out works in Hong Kong and the PRC.

Gross profit margin

Our gross profit increased from approximately HK\$5.8 million for the three months ended 30 June 2019 to approximately HK\$7.9 million for the three months ended 30 June 2020. It represented an increase of approximately HK\$2.1 million or 37%.

During the three months ended 30 June 2020, the gross profit margin was approximately 10%, increased by 5 percentage points as compared to last reporting period's gross profit margin of approximately 5%. This was mainly because of the loss incurred for the investment in marketable securities in the last reporting period.

After excluding the portion of gross profit generated from the investment in marketable securities segment, property investment segment and money lending business segment, the gross profit margin for this Reporting Period was approximately 8%, increased by 2 percentage points as compared to last reporting period's 6%.

Other income and gains

Other income and gains increased by approximately HK\$0.1 million or 35% from approximately HK\$0.3 million for the three months ended 30 June 2019 to approximately HK\$0.4 million for the three months ended 30 June 2020. The increase was mainly due to the increase in interest income earned as more time deposits were placed during this Reporting Period.

Administrative expenses

Administrative expenses decreased by approximately HK\$0.9 million or 10% from approximately HK\$8.7 million for the three months ended 30 June 2019 to approximately HK\$7.9 million for the three months ended 30 June 2020. The decrease was mainly due to the decrease in legal and professional fees during this Reporting Period.

Finance costs

Finance costs decreased by approximately HK\$0.2 million or 90% from approximately HK\$174,000 for the three months ended 30 June 2019 to approximately HK\$17,000 for the three months ended 30 June 2020. The decrease was mainly due to the maturity of the convertible bonds in April 2019.

Contingent liabilities

At the end of the reporting date, the Group had no significant contingent liabilities.

Commitments

At the end of the reporting date, the Group had no significant capital commitments.

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK\$19,947,000 (31 March 2020: HK\$20,100,000); and
- (ii) the pledge of the Group's time deposits of HK\$17,104,000 (31 March 2020: HK\$17,074,000).

Treasury policies

The Directors will continue to follow a prudent policy in managing its cash balances and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. Interests for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars, hence, there was no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

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

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

Capital structure of the Group

There was no change in capital structure of the Group during the period ended 30 June 2020.

Prospects

(i) Construction business

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

With its proven track records and adequate expertise in the main contracting business, the Group was included in Building Category Group C of the "List of Approved Contractors for Public Works", and Turn-key Interior Design and Fitting-out Works Category Group II of the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" under Development Bureau of the Government of the Hong Kong Special Administrative Region (the "HKSAR"); the Registered General Building Contractor, the Minor Works Class I Contractor, the Registered Specialist Contractor (Site Formation Works and Foundation Works Categories) under the Buildings Department of the Government of the HKSAR.

For the E&M works, the Group was included in 11 categories of the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” under Development Bureau of the Government of the HKSAR; and the Registered Specialist Contractor (Ventilation) and Minor Works Class III Type E Contractor under the Buildings Department of the Government of the HKSAR.

The Group is able to take an active part in the construction business development.

During the Reporting Period, new projects such as alterations and additions works for the Department of Industrial and Systems Engineering of the Hong Kong Polytechnic University at Hong Kong Science Park, replacement, alterations, additions and improvement works of HVAC Installations for the Venues of Boundary Crossing Facilities & Transport Services Department in Chek Lap Kok, and repairing, alterations, additions and improvement works to fire service installation for Municipal Venues in Kowloon, in Hong Kong Region; animal shelter, supporting facilities and indoor and outdoor exhibition areas at Beijing Wildlife Park at Beijing, the PRC were secured. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$1,625 million.

With the Group’s proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group could strengthen its position in the Hong Kong market and diversify its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers. The overall building and construction expenditure maintained its uptrend which was contributed by the growth in private building and construction position in Hong Kong to capture more sizeable and profitable projects as well as to further diversify the customer base by bidding works from more private residential developers.

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

(ii) Investment in securities business

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

Despite the uncertainties in the global financial markets, the Group will continue to respond to the changing market environment and review its investment strategy regularly. The Group will also seek investment opportunities in listed securities and other financial products in Hong Kong and other recognised overseas financial markets with a view to generate additional income and enhance the capital use of the Group.

In view of the recent volatile and unstable condition of the economic environment, the Board will adopt a more cautious measures to manage the Group’s investment portfolio with an aim to provide positive return to the Group in the near future.

(iii) Property investment business

The Group’s investment property consisted of one commercial property in Hong Kong. The Directors have determined that the investment property was commercial property, based on the nature, characteristics and risks of the property. In view of the recent unstable condition of the economic environment, the Board will from time to time review the Group’s portfolio of investment properties.

(iv) Money lending business

The Group engaged in money lending business through a wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. The Group continued to make efforts to develop the money lending business. Even though the market of the money lending industry in Hong Kong has become increasingly competitive and uncertain in view of the external business environment, the Group believes that the money lending business will provide a positive impact and return to the Group.

SIGNIFICANT INVESTMENTS

As at 30 June 2020, the Group held equity and debt investments at fair value through profit or loss of approximately HK\$33 million. Details of the significant investments are as follows:

	Notes	Stock code	Place of incorporation	Unrealised fair value gain/(loss) HK\$'000	Market value HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets of the Group %
Listed equity investments							
Hands Form Holdings Limited	1	1920	Cayman Islands	(439.7)	3,416.5	10.3	3.50
TOMO Holdings Limited	2	6928	Cayman Islands	(224.1)	2,841.6	8.6	2.91
EJE (Hong Kong) Holdings Limited	3	8101	Cayman Islands	(480.5)	4,291.6	12.9	4.40
Eternity Technology Holdings Limited	4	1725	Cayman Islands	121.4	3,496.8	10.5	3.58
Hong Kong Education (Int'l) Investments Limited	5	1082	Incorporated in the Cayman Islands and continued in Bermuda	1,068.8	6,097.0	18.4	6.25
Ban Loong Holdings Limited	6	30	Bermuda	(72.0)	1,968.0	5.9	2.02
Individual investments representing less than 1% of net assets the Group				(143.9)	3,572.1	10.8	3.66
				<u>(170.0)</u>	<u>25,683.6</u>	<u>77.4</u>	<u>26.32</u>
Unlisted debt investments							
JPMorgan Asian Total Return Bond (Mth)	7	HK0000102936	Hong Kong	205.8	3,779.2	11.3	3.87
AB FCP I — American Income Portfolio (At USD)	8	LU0157308031	Luxembourg	247.6	3,738.8	11.3	3.83
				<u>453.4</u>	<u>7,518.0</u>	<u>22.6</u>	<u>7.70</u>
				<u>283.4</u>	<u>33,201.6</u>	<u>100.0</u>	<u>34.02</u>

Notes:

- Hands Form Holdings Limited is principally engaged in provision of wet trades works (including plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works) and other wet trades related ancillary works in Hong Kong. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$221,437,000 as at 31 December 2019.
- TOMO Holdings Limited is a Singapore-based investment holding company. The Company is engaged in the supply and installation of passenger vehicle (PV) leather upholstery and electronic accessories; and sales of passenger vehicle electronic accessories. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately S\$25,409,000 as at 31 December 2019.

3. EJE (Hong Kong) Holdings Limited is principally engaged (i) manufacture of custom-made furniture; (ii) property investment; (iii) securities investment; (iv) money lending; and (v) the design, manufacture and sale of mattress and soft bed products. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$393,374,000 as at 31 March 2020.
4. Eternity Technology Holdings Limited is principally engaged in the business of electronics manufacturing services. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately RMB236,181,000 as at 31 December 2019.
5. Hong Kong Education (Int'l) Investments Limited is principally engaged in the provision of private educational services, investment in securities and money lending business. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$182,827,000 as at 31 December 2019.
6. Ban Loong Holdings Limited is principally engaged in money lending business and trading of goods and commodities. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$800,729,000 as at 31 March 2020.
7. The investment objective of the fund is to achieve a competitive total return, consisting of capital growth and regular dividend income, through an actively managed portfolio investing primarily in Asian bonds and other debt securities.
8. The portfolio seeks to provide a high level of current income consistent with preservation of capital by investing in a diversified portfolio of U.S. dollar-denominated fixed income securities. The portfolio invests solely in U.S. dollar-denominated fixed income securities, including investment grade and high yield, non-investment grade securities of issuers domiciled within and outside the U.S.

During the three months ended 30 June 2020, the Group disposed certain investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$10 million, giving rise to a net gain of approximately HK\$1.1 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds <i>HK\$'000</i>	Realised gain <i>HK\$'000</i>
C-LINK Squared Limited	1463	Cayman Islands	3,550	739
Investments with individual realised gain/(loss) of less than HK\$500,000			6,035	371
			9,585	1,110

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the “**Share Option Scheme**”) on 11 August 2015, the Company has adopted the Share Option Scheme. Under the terms of the Share Option Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. There was no share option outstanding under the Share Option Scheme as at 30 June 2020.

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

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

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

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

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

No share option was granted during the Reporting Period and there was no share option outstanding as at 30 June 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within in 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 under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules.

As at 30 June 2020, none of the Directors nor the chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, so far as is known to the Directors, the persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Energy Luck Limited	Beneficial owner	167,302,082	16.73%
Mr. Wong Kui Shing, Danny	Interest in controlled corporation (<i>Note</i>)	167,302,082	16.73%

Note: Energy Luck Limited is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Wong Kui Shing, Danny. Mr. Wong Kui Shing, Danny is deemed to be interested in the shares beneficially owned by Energy Luck Limited.

Save as disclosed above, as at 30 June 2020, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

The following is the change in the information of the Directors since the annual report of the Company dated 22 June 2020, which is required to be disclosed pursuant to the Rule 17.50A(1) of the GEM Listing Rules:

Mr. Wong Yuk Lun Alan

Appointed as an executive director of NOVA Group Holdings Limited (stock code: 1360), a company with its shares listed on the Main Board of the Stock Exchange, on 15 July 2020.

Resigned as an independent non-executive director of TUS International Limited (stock code: 872), a company with its shares listed on the Main Board of the Stock Exchange, on 17 July 2020.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESSES

During the Reporting Period and up to the date of this announcement, Mr. Wong Yuk Lun Alan has the following interests in the business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business:

Director	Name of company	Nature of business	Nature of interests
Mr. Wong Yuk Lun Alan	*NOVA Group Holdings Limited ("NOVA")	Money lending business	Executive director of NOVA

* listed on the Main Board of the Stock Exchange

As the Board is independent to the board of NOVA, the Group is capable of carrying on its business independently of, and at arm's length, from the business of NOVA.

Save as disclosed above, the Directors are not aware of any business and interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to a high standard of corporate governance practices in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Board has and will continue to review and improve the Company's corporate governance practices from time to time in order to increase its transparency and accountability to shareholders.

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own corporate governance code. The Company has, so far as applicable, principally complied with the CG Code during the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board. As at the date of this announcement, the audit committee comprises three independent non-executive Directors, namely Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna.

The unaudited quarterly results of the Group for the three months ended 30 June 2020 have not been reviewed or audited by the Company's independent auditor, but have been reviewed by the audit committee members who have provided advice and comments thereon.

By order of the Board
Deson Construction International Holdings Limited
Hung Kenneth
Executive Director

Hong Kong, 13 August 2020

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Hung Kenneth and Ms. Lau Po Yee as executive Directors; Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna as independent non-executive Directors.