



迪臣建設國際集團有限公司

Deson Construction International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8268

INTERIM REPORT 2015

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

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*This report, 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 report 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 report misleading.*

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the website of the Company at www.deson-c.com.

INTERIM 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 six months ended 30 September 2015 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

	Notes	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	3	224,737	207,243	370,025	369,760
Cost of sales		(213,327)	(190,756)	(349,352)	(344,926)
Gross profit		11,410	16,487	20,673	24,834
Other income		430	931	802	1,500
Fair value gain on investment properties		—	125	—	125
Administrative expenses		(7,080)	(15,345)	(15,566)	(22,464)
Other operating income/(expenses), net		(21)	631	(9)	367
Finance costs	5	(184)	(33)	(251)	(47)
PROFIT BEFORE TAX	4	4,555	2,796	5,649	4,315
Income tax expense	6	(436)	(2,232)	(525)	(2,225)
PROFIT FOR THE PERIOD		4,119	564	5,124	2,090
Attributable to:					
Owners of the Company		4,469	412	5,634	1,466
Non-controlling interests		(350)	152	(510)	624
		4,119	564	5,124	2,090
		HK cents	HK cents	HK cents	HK cents
EARNINGS PER SHARE					
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic and diluted	7	0.45	0.04	0.56	0.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	(Unaudited)		(Unaudited)	
	Three months ended 30 September 2015		Six months ended 30 September 2015	
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	4,119	564	5,124	2,090
OTHER COMPREHENSIVE INCOME/ (LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(915)	672	(603)	371
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of leasehold land and buildings	—	8,405	—	8,405
Income tax effect	—	(1,387)	—	(1,387)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	—	7,018	—	7,018
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX	(915)	7,690	(603)	7,389
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,204	8,254	4,521	9,479
Attributable to:				
Owners of the Company	3,694	7,988	5,120	8,798
Non-controlling interests	(490)	266	(599)	681
	3,204	8,254	4,521	9,479

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2015

	Notes	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		18,784	19,159
Investment properties	9	11,468	11,656
Total non-current assets		30,252	30,815
CURRENT ASSETS			
Gross amount due from contract customers		23,709	25,304
Amounts due from related companies		5,899	6,196
Amounts due from fellow subsidiaries		15	28
Accounts receivable	10	70,490	54,626
Prepayments, deposits and other receivables		15,763	13,467
Pledged deposits		29,700	29,674
Cash and cash equivalents		59,006	30,812
Total current assets		204,582	160,107
CURRENT LIABILITIES			
Gross amount due to contract customers		93,725	88,455
Accounts payable	11	20,715	18,994
Other payables and accruals		41,730	25,806
Amount due to a non-controlling shareholder		1,500	1,500
Amounts due to fellow subsidiaries		15	30
Tax payable		1,954	2,083
Interest-bearing bank borrowings		41,373	20,761
Total current liabilities		201,012	157,629
NET CURRENT ASSETS		3,570	2,478
TOTAL ASSETS LESS CURRENT LIABILITIES		33,822	33,293

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 September 2015

		30 September 2015	31 March 2015
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		5,043	5,035
Total non-current liabilities		5,043	5,035
Net assets		28,779	28,258
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	25,000	20,000
Reserves		(588)	(708)
Proposed dividend	8	—	4,000
		24,412	23,292
Non-controlling interests		4,367	4,966
Total equity		28,779	28,258

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company											
	Issued capital HK\$'000	Share premium HK\$'000	Contribution surplus HK\$'000	Property revaluation reserve HK\$'000	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained profits/(Accumulated Loss) HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2014 (audited)	—	—	—	111,542	40,000	5,218	4,795	84,386	—	245,941	5,823	251,764
Profit for the period	—	—	—	—	—	—	—	1,466	—	1,466	624	2,090
Other comprehensive income for the period:												
Surplus on revaluation of leasehold land and buildings, net of tax	—	—	—	7,018	—	—	—	—	—	7,018	—	7,018
Exchange differences on translation of foreign operations	—	—	—	—	—	314	—	—	—	314	57	371
Total comprehensive income for the period	—	—	—	7,018	—	314	—	1,466	—	8,798	681	9,479
Release of deferred tax on the revaluation of leasehold land and buildings upon transfer to non-current asset classified as held for sale	—	—	—	18,938	—	—	—	—	—	18,938	—	18,938
Release of revaluation reserve	—	—	—	(1,544)	—	—	—	1,544	—	—	—	—
Transfer of reserve	—	—	—	—	—	—	786	(786)	—	—	—	—
Capital contribution from a pre-listing investor	—	—	—	—	12,128	—	—	—	—	12,128	—	12,128
At 30 September 2014	—	—	—	135,954	52,128	5,532	5,581	86,610	—	285,805	6,504	292,309
At 1 April 2015 (audited)	20,000	14,381	(5,372)	15,645	—	4,984	5,581	(35,927)	4,000	23,292	4,966	28,258
Profit/(loss) for the period	—	—	—	—	—	—	—	5,634	—	5,634	(510)	5,124
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	(514)	—	—	—	(514)	(89)	(603)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(514)	—	5,634	—	5,120	(599)	4,521
Bonus shares issued	5,000	(5,000)	—	—	—	—	—	—	—	—	—	—
Release of revaluation reserve	—	—	—	(359)	—	—	—	359	—	—	—	—
Final 2015 dividend declared	—	—	—	—	—	—	—	—	(4,000)	(4,000)	—	(4,000)
At 30 September 2015	25,000	9,381*	(5,372)*	15,286*	—*	4,470*	5,581*	(29,934)*	—	24,412	4,367	28,779

* These reserve accounts comprise the consolidated negative reserves of HK\$588,000 (31 March 2015: negative reserves HK\$708,000) in the condensed consolidated statement of financial position as at 30 September 2015.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Notes	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,649	4,315
Adjustments for:			
Finance costs	5	251	47
Interest income	3	(132)	(186)
Fair value gain on investment properties		—	(125)
Loss on disposal of items of property, plant and equipment	4	21	284
Depreciation	4	417	2,267
Reversal of impairment of other receivables	4	—	(630)
		6,206	5,972
Decrease/(increase) in gross amount due from contract customers		1,637	(10,404)
Increase in accounts receivable		(15,873)	(9,196)
Decrease/(increase) in prepayments, deposits and other receivables		(2,322)	3,161
Increase in gross amount due to contract customers		5,270	10,213
Increase/(decrease) in accounts payable		1,729	(28,248)
Increase/(decrease) in other payables and accruals		16,478	(724)
Cash generated from/(used in) operations		13,125	(29,226)
Interest paid		(634)	(896)
Overseas tax paid		(605)	(920)
Net cash flow from/(used in) operating activities		11,886	(31,042)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 September 2015

	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	132	186
Purchases of items of property, plant and equipment	(74)	(77)
Proceeds from disposal of items of property, plant and equipment	10	—
Decrease/(increase) in pledged deposits	(26)	8,822
Net cash flows from investing activities	42	8,931
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	25,018	38,023
Repayment of bank and other borrowings	(17,109)	(37,825)
Movement in balances with related companies, net	300	(752)
Movement in balances with fellow subsidiaries	(2)	(48,121)
Capital contribution from a pre-listing investor	—	12,450
Dividend paid	(4,000)	—
Net cash flows from/(used in) financing activities	4,207	(36,225)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	16,135	(58,336)
Cash and cash equivalents at beginning of period	27,160	69,253
Effect of foreign exchange rate changes, net	(642)	105
CASH AND CASH EQUIVALENTS AT END OF PERIOD	42,653	11,022
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents stated in the statement of financial position	59,006	19,831
Bank overdrafts, secured	(16,353)	(8,809)
Cash and cash equivalents as stated in the statement of cash flows	42,653	11,022

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 and its share have been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 8 January 2015. The registered address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. 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 engaged as a contractor in the construction business to provide building construction works, electrical and mechanical engineering works and alterations, addition, renovation, refurbishment and fitting-out works, mainly in Hong Kong and Mainland China and other construction related business.

In the opinion of the directors of the Company, Deson Development Holdings Limited, a company incorporated in the British Virgin Islands is the immediate holding company of the Company, and Deson Development International Holdings Limited (“**DDIHL**”), a company incorporated in Bermuda and listed on the Main Board of The Stock Exchange, is the ultimate holding company of the Company.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”) of the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, and investment properties, which have been measured at fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2015.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the six months ended 30 September 2015 are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 March 2015 except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) which also include HKASs and Interpretation for the first time in the current period.

Amendments to HKAS19
Amendments to HKFRSs
Amendments to HKFRSs

Defined Benefit Plans — *Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

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

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue from construction contracting and related business.

Revenue

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from construction contracting and related business	224,737	207,243	370,025	369,760

Other income

Bank interest income	91	128	132	186
Gross rental income	168	250	336	494
Others	171	553	334	820
	430	931	802	1,500

For management purpose, the Group has only one reportable operating segment which is the construction contracting and related business. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	127,749	170,559	224,284	292,465
Mainland China	92,475	36,670	137,432	75,137
Macau	4,513	14	8,309	2,158
	224,737	207,243	370,025	369,760

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

4. PROFIT BEFORE TAX

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

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of construction contracting	213,327	190,756	349,352	344,926
Depreciation	214	1,020	417	2,267
Minimum lease payments under operating leases on land and buildings	641	223	1,297	466
Loss on disposal of items of property, plant and equipment [^]	21	20	21	284
Rental income on investment properties	(168)	(172)	(336)	(340)
Less: outgoings	—	—	35	35
Rental income	(168)	(172)	(301)	(305)
Employee benefit expense (including directors' remuneration):				
Wages and salaries	6,801	9,183	13,745	15,580
Pension scheme contributions*	113	255	331	431
Less: Amount capitalised	(2,670)	(2,899)	(5,152)	(5,082)
	4,244	6,539	8,924	10,929
Foreign exchange differences, net [^]	—	(21)	(12)	(21)
Reversal of impairment of other receivables [^]	—	(630)	—	(630)
Listing and related expenses	—	4,774	—	4,774

* At 30 September 2015, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2014: Nil).

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years and total interest expense on financial liabilities not at fair value through profit or loss	430	466	633	896
Less: Interest capitalised	(246)	(433)	(382)	(849)
	184	33	251	47

6. INCOME TAX

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2015 and 30 September 2014, 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.

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current — Hong Kong				
Charge for the period	400	1,406	400	1,394
Current — Elsewhere				
Charge for the period	73	897	86	902
Underprovision in prior years	—	194	—	194
Deferred	(37)	(265)	39	(265)
Total tax charge for the period	436	2,232	525	2,225

7. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to ordinary equity holders of the Company are based on the followings:

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	4,469	412	5,634	1,466
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000

The calculation of the basic earnings per share amount is based on the profit for the period, and the number of ordinary shares of 1,000,000,000 in issue during the period, after taking into account (i) the Share Subdivision (as defined in Company's announcement dated 23 April 2015) which was effective from 4 June 2015 and as if the Subdivision had been effective since 1 April 2014; (ii) the Bonus Issue (as defined in Company's announcement dated 7 August 2015) which the Group issued bonus shares on 29 September 2015 on the basis of one bonus share for every four ordinary shares at a par value of HK\$0.025 each to shareholders whose name appear on the register of members on 25 September 2015. The number of shares before the issue of bonus shares was restated as if the Bonus Issue had been effective since 1 April 2014.

No adjustment has been made to the basic earnings per share amount presented for the respective periods in respect of a dilution as the Group has no potential dilutive ordinary shares issued during these periods.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

9. INVESTMENT PROPERTIES

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Carrying amount at 1 April	11,656	10,875
Net gain from fair value adjustment	—	875
Exchange realignment	(188)	(94)
	<hr/>	<hr/>
Carrying amount at 30 September/31 March	11,468	11,656

The Group's investment properties are situated in Mainland China and are held under long term lease.

As at 30 September 2015, investment properties of the Group with a carrying amount of HK\$11,468,000 (31 March 2015: HK\$11,656,000) were leased to independent third parties.

10. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period granted to the customers ranges from 14 days to 90 days. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Accounts receivable are non-interest-bearing.

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Current to 90 days	47,898	35,941
91 to 180 days	4,289	2,191
181 to 360 days	5,051	1,172
Over 360 days	1,609	1,066
	<hr/>	<hr/>
	58,847	40,370
Retention monies receivable	11,643	14,256
	<hr/>	<hr/>
Total	70,490	54,626

11. ACCOUNTS PAYABLE

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Current to 90 days	18,780	13,536
91 to 180 days	—	1,562
181 to 360 days	561	—
Over 360 days	1,374	3,896
	20,715	18,994

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

12. SHARE CAPITAL

	Notes	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2015		400,000,000	20,000	14,381	34,381
Subdivision of shares	(i)	400,000,000	—	—	—
Issue of bonus shares	(ii)	200,000,000	5,000	(5,000)	—
At 30 September 2015		1,000,000,000	25,000	9,381	34,381

Notes: (i) On 8 May 2015, the board of directors of the Company proposed the Share Subdivision whereby each of the issued and unissued ordinary share with a par value of HK\$0.05 each in the share capital of the Company be subdivided into two ordinary shares with a par value of HK\$0.025 each ("**Subdivided Share(s)**"), such that the authorised share capital of the Company became HK\$100,000,000 divided into 4,000,000,000 shares with a par value of HK\$0.025 each, and the Subdivided Shares rank pari passu in all respects with each other in accordance with the memorandum and articles of association of the Company. The Share Subdivision was approved upon the passing of the ordinary resolution by the shareholders of the Company at the extraordinary general meeting held on 3 June 2015 and became effective on 4 June 2015;

(ii) On 29 September 2015, the Company issued bonus shares on the basis of one bonus share for every four existing ordinary shares held by shareholders whose name appeared on the register of members on 25 September 2015. The Bonus Issue was approved upon passing of the ordinary resolution by the shareholders of the Company at the extraordinary general meeting held on 18 September 2015 and became effective on 6 October 2015.

13. OPERATING LEASE COMMITMENTS

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

As at 30 September 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within one year	2,575	2,532
In the second to fifth years, inclusive	2,803	4,055
	5,378	6,587

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, bank overdrafts, trust receipt loans and balances with a non-controlling shareholder, related companies and fellow subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

As at 30 September 2015, the Group did not have any financial assets and financial liabilities measured at fair value.

Fair value hierarchy

The Group did not have any financial liabilities measured at fair value as at 30 September 2015 and 31 March 2015.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 March 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are principally engaged as a contractor in the building industry operating in Hong Kong and the People's Republic of China (the "PRC"). As a contractor, 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) alternations, addition, renovation, refurbishment and fitting-out works.

The Group's turnover for the six months ended 30 September 2015 recorded at approximately HK\$370,025,000 which represented a slight increase of 0.07% from approximately HK\$369,760,000 for the six months ended 30 September 2014.

(i) Building construction works:

For the six months ended 30 September 2015, revenue recorded at this segment amounted to approximately HK\$118,860,000 (six months ended 30 September 2014: HK\$137,594,000). The decrease by 13.6% was because certain projects were completed for the year ended 31 March 2015, only a small amount of variation orders were recognized as revenue for those projects for the six months ended 30 September 2015. These contracts included the design and build foundation works for residential houses on Stubbs Road, Hong Kong, superstructure works for residential houses on Stubbs Road, Hong Kong and alternation and addition works for residential development on South Bay Road, Hong Kong.

Certain new projects were granted during the period, it included main contractor for development of eight residential house, clubhouses and associated external works including site formation, construction of sub-structure and superstructure works, building services and interior fitting-out work at Pik Sha Road, Sai Kung, Hong Kong and main contractor for development of a 12-storey residential building including construction of sub-structure, superstructure, building services and interior fitting-out works at Stubbs Road, Hong Kong.

(ii) Electrical and mechanical engineering works:

For the six months ended 30 September 2015, revenue recorded at this segment amounted to approximately HK\$80,074,000 (six months ended 30 September 2014: HK\$83,576,000). The decrease by 4.2% was mainly due to the completion of several substantial contracts in the last period with a larger contract sum was recorded, while those new contracts works awarded to the Group in 2015 are still in their early stage of development. The project completed during the period included nominated sub-contractor for the mechanical ventilation air conditioning services for the proposed student halls VII & IX development at Clear Water Bay for the Hong Kong University of Science and Technology, Hong Kong and electrical installation for residential building at Kwai Fong Street, Happy Valley, Hong Kong.

(iii) Fitting-out works:

For the six months ended 30 September 2015, revenue recorded at this segment amounted to approximately HK\$171,091,000 (six months ended 30 September 2014: HK\$148,590,000). The increase by 15.1% was mainly attributable to the addition contracts granted in the PRC during the period. These contracts included fitting-out works of an office in Shenzhen, the PRC, the fitting-out works, air conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for staff social centre at Suning, Hebei, the PRC and the fitting-out works for a hotel in Beijing, the PRC.

Financial Review

Turnover

For the six months ended 30 September 2015, the Group's turnover amounted to approximately HK\$370 million, increased by 0.07% as compared to the last period. The increase in turnover was mainly due to the increase of turnover of fitting-out segment where more contracts were granted during the period in the PRC. On the other hand, certain building construction projects were granted at the end of March 2015 and they have not yet commenced, thus no revenue was recognized in last period.

Gross profit margin

Our gross profit decreased by approximately HK\$4 million or 16.8%, from approximately HK\$25 million for the six months ended 30 September 2014 to approximately HK\$21 million for the six months ended 30 September 2015. During the six months ended 30 September 2015, the gross profit margin was approximately 5.6%, down by 1.1% as compared to last period's 6.7%. The decrease of gross profit margin was because the average gross profit margin for fitting-out projects granted in the PRC during the period was lower than the last period.

Other income

Other income decreased by approximately HK\$698,000 from approximately HK\$1,500,000 for the six months ended 30 September 2014 to approximately HK\$802,000 for the six months ended 30 September 2015. The decrease was mainly due to the decrease in staff cost reimbursement from DDIHL and its subsidiaries (other than the Group) ("**Remaining Group**").

Administrative Expenses

Administrative expenses decreased by approximately HK\$7 million or 30.7% from approximately HK\$22 million for the six months ended 30 September 2014 to approximately HK\$15 million for the six months ended 30 September 2015. Such decrease was the combined results of (1) the listing expenses of approximately HK\$5 million was incurred in the last period for the listing of the Company's share on GEM on 8 January 2015; and (2) the decrease of staff costs by approximately HK\$2 million after the transfer of those staff not related to the construction business to the Remaining Group after the spin-off of the Group from DDIHL.

Liquidity and financial resources

As at 30 September 2015, the Group had total assets of HK\$234,834,000, which has been financed by total liabilities, shareholders' equity and non-controlling interests of HK\$206,055,000, HK\$24,412,000 and HK\$4,367,000, respectively. The Group's current ratio at 30 September 2015 was also 1.02 compared to 1.02 at 31 March 2015.

The gearing ratio for the Group as at 30 September 2015 is 15% (31 March 2015: 15%). It has been calculated based on the non-current liabilities of HK\$5,043,000 (31 March 2015: HK\$5,035,000) and long term capital (equity and non-current liabilities) of HK\$33,822,000 (31 March 2015: HK\$33,293,000).

Capital expenditure

Total capital expenditure for the six months ended 30 September 2015 was approximately HK\$74,000, which was mainly used in the purchase of property, plant and equipment.

Contingent liabilities

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

Commitments

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

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\$16,979,000 (31 March 2015: HK\$17,200,000);
- (ii) the pledge of the Group's deposits of HK\$29,700,000 (31 March 2015: HK\$29,674,000).

Treasury policies

The Directors will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy level of liquidity to ensure that the Group is well-placed to take advantage of growth opportunities. Interest for the current bank borrowings are mainly on floating rate basis and the bank borrowings are principally denominated in Hong Kong dollars. Hence, the Group has no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

In term of foreign currencies, the Group mainly deal with Renminbi, which arise from relevant group entities' foreign currency denominated monetary assets and liabilities in relation to the Group's operating activities that are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging against significant foreign currency exposures should the need arise.

Prospect

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

With its proven track records and adequate expertise in the main contracting business, the Group obtained "List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau of the HKSAR". Together with the licence in Group II under the "Turn-key Interior Design and Fitting-out Works" under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" and the 11 licences held under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR", the Group is well-equipped to take an active part in the construction business development.

During the Reporting Period, new projects such as main contractor for development of one residential house and associated external works including construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong, fitting out works including electrical and mechanical works for three Prada/Miu Miu shops at Wynn Palace, Macau, fire services and MVAC installation of Multimedia Production And Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong, electrical, low voltage switchboard, fire services, plumbing and MVAC installation at a memorial Primary School, Fanling, New Territories, Hong Kong, fitting-out works of an office in Shenzhen, the PRC, fitting-out works, air-conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for staff social center at Suning, Hebei, the PRC and the fitting-out works for a hotel in Beijing, the PRC. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,616 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 Group is currently operating in the developed cities in the PRC. Urbanisation of the PRC is expected to continue at a rapid pace, in particular, in the third- and fourth-tier cities of the country. With the Group's expertise and experience in the PRC market, the Directors believe that the Group can seize such opportunities and focus on expanding in the third- and fourth-tier cities in the PRC.

In order to provide comprehensive services to our customers, we intend to expand our services under the building construction works from time to time and apply for additional licences, permits or qualifications which may be required. For example, to increase our scope of services for building construction works to include site formation, we were approved as a Specialist Contractor (site formation) by the Buildings Department of Hong Kong in December 2014. The Directors believe our qualification in site formation will complement our other services.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As set out in the prospectus of the Company dated 24 December 2014 (the "**Prospectus**"), the overall business objectives of our Group are to (i) strengthen our position in the Hong Kong market and our capital base to support more capital intensive projects; (ii) further expand our business into the PRC; and (iii) continue to expand our scope of services in building construction works.

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress up to the date of this interim report is set out below:

Business objective as stated in the Prospectus

Actual business progress up to 30 September 2015

- | | |
|---|--|
| (i) Strengthen our position in the Hong Kong market and our capital base to support more capital intensive projects | The Group continued its effort in identifying suitable business opportunities with potential customers from time to time. A contract with contract sum amount HK\$37 million was granted as main contractor for development of one residential house and associated external works including construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong. |
|---|--|

- (ii) Further expand our business into the PRC The Group keeps good relationship with its existing customers. More tenders for contracts were made to broaden our customers' base. More projects were granted in the PRC during the period including the construction works for staff social centre, office buildings, hotel, etc.
- (iii) Continue to expand our scope of services in building construction works On 9 December 2014, the Group was approved by Buildings Department on Specialist Construction (site formation). We have submitted 2 tenders for site formation and foundation works during the period and one was successfully awarded.

USE OF PROCEEDS FROM THE LISTING OF THE COMPANY'S SHARES BY WAY OF PLACING

On 7 January 2015, 50,000,000 ordinary shares of the Company were allotted at HK\$0.385 per placing share pursuant to the Placing (as defined in the Prospectus). The net proceeds from the Placing received by the Company were approximately HK\$16.6 million (after deduction of any related expenses). As at 30 September 2015, the unused proceeds of approximately HK\$1.5 million were deposited into licensed banks in Hong Kong.

As at 30 September 2015, the net proceeds had been utilized as follows:

	Actual net proceeds HK\$ million	Amount utilised up to 30 September 2015 HK\$ million	Balance as at 30 September 2015 HK\$ million
Operation of two existing projects	14.9	14.3	0.6
General working capital	1.7	0.8	0.9
Total	16.6	15.1	1.5

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this report, our Group did not have other plans for material investment or capital assets as at 30 September 2015.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 2015, there has been no significant investment held, no material acquisition, disposal of subsidiaries and affiliated companies by our Group.

HUMAN RESOURCES

As at 30 September 2015, the Group had 124 employees, 54 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the six months ended 30 September 2015 amounted to approximately HK\$9 million as compared to approximately HK\$11 million for the same period in 2014, the decrease was mainly due to transfer of non-construction related staff to the Remaining Group in preparation of the spin-off of the Group from DDIHL since August 2014.

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 September 2015, the interests and short positions of the each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any 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, were as follows:

A. Long positions in ordinary shares of the Company

Name of Director	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Kwok Koon Keung	500	—	500	0.00%
Mr. Tjia Boen Sien (" Mr. Tjia ")	22,887,200	628,414,868	651,302,068	65.13%
		(Note 1)		

Note:

1. Mr. Tjia beneficially owns all the shares in Sparta Assets Limited ("**Sparta Assets**"), a company incorporated in the British Virgin Islands ("**BVI**"). Sparta Assets directly beneficially owned 116,645,000 shares in the Company and it beneficially owned

233,290,000 shares in Deson Development International Holdings Limited (“DDIHL”), representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 628,414,868 shares in the Company (being aggregate of 116,645,000 shares in the Company held by Sparta Assets and 511,769,868 shares in the Company indirectly owned by DDIHL (through Deson Development Holdings Limited (“DDHL”) which Sparta Assets is deemed to be interested in).

B. Interests in shares and underlying shares of associated corporation – Deson Development International Holdings Limited (“DDIHL”)

	Number of ordinary shares of HK\$0.10 each in DDIHL		Number of underlying ordinary shares of HK\$0.10 each in DDIHL		Percentage of DDIHL's issued share capital
	Directly beneficially owned	Through controlled corporation	Options*	Total	
Mr. Tjia	45,774,400(L)	233,290,000(L) <i>(Note 1)</i>	500,000	279,564,400	44.88%
Mr. Keung Kwok Cheung	200,000(L)	—	4,000,000	4,200,000	0.64%
Mr. Kwok Koon Keung	1,000(L)	—	1,500,000	1,501,000	0.23%
Mr. Lo Wing Ling	—	—	1,500,000	1,500,000	0.23%
Mr. Lee Tho Siem	1,190,000(L) <i>(Note 2)</i>	—	—	1,190,000	0.18%

Notes:

(L) denotes long position.

* The options were granted on 17 April 2015 without consideration under the share option scheme adopted by DDIHL (the “DDIHL Share Option Scheme”). The above options could be exercised from the date of grant to 16 April 2018 in accordance with the rules of the DDIHL Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in DDIHL at an initial exercise price of HK\$0.71 per share. None of the options were exercised by any of the above Directors during the period. Further details of the Directors’ interests in underlying shares in respect of the options are disclosed in Note 3 below.

1. Mr. Tjia beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. Sparta Assets directly beneficially owned 233,290,000 shares in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 233,290,000 shares in DDIHL held by Sparta Assets.

2. Mr. Lee Tho Siem directly beneficially owned 740,000 shares and is deemed interested in 450,000 shares held by his spouse, Ms. Wong Kam Ching. By virtue of the SFO, Ms. Wong Kam Ching's interest is taken to be Mr. Lee Tho Siem's interest.
3. Details of Directors' interests in underlying shares in respect of the options granted under the DDIHL Share Option Scheme are summarised as follows:

Name of Director	Exercise price per share HK\$	Number of underlying ordinary shares of HK\$0.10 each in DDIHL in respect of which options have been granted
		Balance as at 30 September 2015
Mr. Tjia	0.71	500,000
Mr. Keung Kwok Cheung	0.71	4,000,000
Mr. Kwok Koon Keung	0.71	1,500,000
Mr. Lo Wing Ling	0.71	1,500,000

The above interests in the underlying shares of the associated corporation of the Company in respect of options were held pursuant to unlisted physically settled equity derivatives.

Save as disclosed above, as at 30 September 2015, none of the Directors or 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).

Save as disclosed above, as at 30 September 2015, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register 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 the GEM Listing Rules.

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

As at 30 September 2015, so far as is known to the Directors of the Company, the following 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
DDHL	Beneficial owner	511,769,868	51.18%
DDIHL	Interest in controlled corporation <i>(Note 1)</i>	511,769,868	51.18%
Sparta Assets	Beneficial owner	116,645,000	11.66%
	Interest in controlled corporations <i>(Note 2)</i>	511,769,868	51.18%

Notes:

- DDHL is a company incorporated in the BVI and is wholly owned by DDIHL. DDIHL is deemed interested in the shares beneficially owned by DDHL.
- Sparta Assets directly beneficially owned 233,290,000 shares in DDIHL, representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Sparta Assets is deemed to be interested in 511,769,868 shares indirectly owned by DDIHL (through DDHL).

Save as disclosed above, as at the 30 September 2015, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" above, 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.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESSES

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.

CAPITAL STRUCTURE

Details of the changes of the capital structure of the Company during the six months ended 30 September 2015 are set out in the note 12 to the condensed consolidated financial statements.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited, as at 30 September 2015, save for the compliance adviser agreement dated 25 December 2014 entered into between the Company and Kingsway Capital Limited, neither Kingsway Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. No director has dealt in the shares of the Company 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 six months ended 30 September 2015.

NON-COMPETITION UNDERTAKING BY DDIHL

DDIHL entered into a non-competition agreement (the "**Agreement**") with the Company on 16 December 2014. Pursuant to the Agreement, DDIHL undertakes that the Remaining Group will not, inter alia, engage in construction and engineering contracting business, as a contractor, interior design, fitting-out, renovation works, as well as the provision of electrical and mechanical engineering services. For details about the above-mentioned Agreement, please refer to section headed "Relationship with the Remaining Group" in the Prospectus dated 24 December 2014 for details.

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 of the GEM Listing Rules as its own corporate governance code since the Listing Date. The Company has, so far as applicable, principally complied with the CG Code during the Reporting Period.

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.

The Company had 80,000,000 share options available for issue under the Share Option Scheme, which represented approximately 8% of the issued shares of the Company as at 30 September 2015.

No share option has been granted during the Reporting Period since the adoption of the Scheme and there was no share option outstanding as at 30 September 2015.

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 report, the audit committee comprises three independent non-executive directors, namely Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Ong King Keung.

The interim results of the Company for the six month ended 30 September 2015 have not been audited by the Company's independent auditors, 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
Keung Kwok Cheung
Chief Executive Officer and Executive Director

Hong Kong, 10 November 2015

As at the date of this report, the Board of Directors of the Company comprises Mr. Keung Kwok Cheung, Mr. Kwok Koon Keung and Mr. Lo Wing Ling as executive Directors; Mr. Tjia Boen Sien as non-executive Director; and Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Ong King Keung as independent non-executive Directors.