迪臣

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

ANNUAL REPORT 2016

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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.*

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Keung Kwok Cheung *(Chief Executive Officer)*
Mr. Kwok Koon Keung
Mr. Lo Wing Ling
Mr. Ong Chi King *(appointed on 21 December 2015)*

Non-Executive Directors

Mr. Tjia Boen Sien *(Chairman)*
Mr. Ong King Keung
(re-designated on 21 December 2015)

Independent non-executive Directors

Mr. Lee Tho Siem
Mr. Cheung Ting Kee
Mr. Chan Ka Yin *(appointed on 21 December 2015)*

BOARD COMMITTEES

Audit Committee

Mr. Chan Ka Yin *(Chairman)*
Mr. Lee Tho Siem
Mr. Cheung Ting Kee

Remuneration Committee

Mr. Lee Tho Siem *(Chairman)*
Mr. Chan Ka Yin
Mr. Cheung Ting Kee
Mr. Keung Kwok Cheung
Mr. Tjia Boen Sien

Nomination Committee

Mr. Lee Tho Siem *(Chairman)*
Mr. Chan Ka Yin
Mr. Cheung Ting Kee
Mr. Keung Kwok Cheung
Mr. Tjia Boen Sien

Internal Control Committee

Mr. Chan Ka Yin *(Chairman)*
Mr. Lee Tho Siem
Mr. Cheung Ting Kee

COMPANY SECRETARY

Mr. Lam Wing Wai, Angus, *(HKICPA)*

COMPLIANCE OFFICER

Mr. Keung Kwok Cheung

AUTHORISED REPRESENTATIVES

Mr. Keung Kwok Cheung
Mr. Lam Wing Wai, Angus

COMPLIANCE ADVISER

Kingsway Capital Limited

AUDITORS

Ernst & Young

LEGAL ADVISERS

Appleby
Howse Williams Bowers

REGISTERED OFFICE

Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman KY1-1108,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor, Nanyang Plaza
No. 57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman
KY1-1108, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Dah Sing Bank Limited

STOCK CODE

8268

WEBSITE OF THE COMPANY

www.deson-c.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Deson Construction International Holdings Limited (the "**Company**", together with our subsidiaries, the "**Group**"), I have the pleasure to present to you the annual results for the year ended 31 March 2016.

The outlook for the construction industry in Hong Kong is expected to keep steady growth in the coming years. However, there remain challenges that are unlikely to dissipate in the near future, such as continuously rising labour wages and cost of construction materials and shortage of skilled labour. The Group would continue to monitor our business and seek to optimise our business strengths and competitive advantages wherever possible.

Looking ahead, the Group is positive about the prospects of the construction industry and will continue to focus on its core business. On the other hand, in order to maximise the long term returns to shareholders, the Group has developed a new business, which includes long-term and short-term investments in marketable securities. We believe this new business can broaden our revenue base.

The Group is establishing a risk management system that is in line with the global standard on corporate governance, covering all the business sections to monitor, assess and manage various risks in the Group's business activities. The Group will conduct regular reviews of the operational and financial risks for each area.

On behalf of the Board, I would like to express my sincere gratitude to all our customers, shareholders and business partners for their continuous care and support. I would also like to thank all of our employees for dedication and loyalty they have shown throughout the years.

Tjia Boen Sien
Chairman

Hong Kong, 21 June 2016

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged as a contractor in the building industry operating in Hong Kong, the People's Republic of China (the "**PRC**") and Macau. As a contractor, the Group provides 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.

The Group's turnover for the year ended 31 March 2016 recorded at approximately HK$812,470,000 which represented an increase of approximately 8% from approximately HK$750,075,000 for the year ended 31 March 2015.

(i) Building construction works:

For the year ended 31 March 2016, revenue recorded from this section amounted to approximately HK$259,319,000 (2015: HK$294,577,000). The decrease by approximately 12% was because certain projects were nearly completed as at 31 March 2015, and only a small amount of variation orders were recognised as revenue for those projects for the year ended 31 March 2016. These contracts included the design and building foundation works for residential houses at Stubbs Road, Hong Kong, superstructure works for residential houses at Stubbs Road, Hong Kong and alteration and addition works for residential development at South Bay Road, Hong Kong.

(ii) Electrical and mechanical engineering works:

For the year ended 31 March 2016, revenue recorded from this section amounted to approximately HK$208,643,000 (2015: HK$198,215,000). The increase by approximately 5% was mainly due to certain new projects were granted in late 2014 or early 2015 and not much revenue was recognised for the year ended 31 March 2015. These projects include building services installation for the construction of two 30-classroom primary schools at Kai Tak Development, Kowloon for the Government of the HKSAR, air-conditioning mechanical ventilation and electrical installation for the extension of PRC Ministry of Foreign Affairs Building at Borrett Road, Hong Kong, term contract for building services works at Sogo Department Store, Causeway Bay, Hong Kong, triennial term contract for the maintenance and repair of, alterations and additions to, fire service installations in General Engineering Services Division Venues in Hong Kong and Islands for the Government of the HKSAR, triennial term contract for the maintenance and repair of, alterations and additions to, fire services installations on Hong Kong and outlying islands for the Government of the HKSAR, triennial term contract for the maintenance and repair of, alterations and additions to, fire service installations in Venues of Hong Kong Police Force, Correctional Services Department and Independent Commission Against Corruption and Security Bureau in Kowloon and New Territories.

(iii) Fitting-out works:

For the year ended 31 March 2016, revenue recorded from this section amounted to approximately HK$344,508,000 (2015: HK$257,283,000). The increase by approximately 34% was mainly attributable to the addition contracts granted in the PRC during the year. These contracts included fitting-out works of an office in Shenzhen, the PRC, addition and alteration works of a hospital in Beijing, the PRC, fitting-out works, air conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for a staff social centre in Suning, Hebei, the PRC, fitting-out works of a residential building in Jinan, Shandong, the PRC and the fitting-out works for a hotel in Beijing, the PRC.

Due to increase in revenue generated from the Group's provision of electrical and mechanical engineering works and alterations, additions, renovations, refurbishment and fitting-out works for the year ended 31 March 2016 as compared with that for the year ended 31 March 2015 and the absence of non-recurring listing expenses of approximately HK$12,600,000 incurred in relation to the listing of the Company's shares on GEM last year, the net profit attributable to owners of the Company amounted to approximately HK$10,856,000 as compared with the net loss attributable to owners of the Company amounted to approximately HK$3,977,000 for the year ended 31 March 2015. Basic earnings per share is HK1.09 cent for the year ended 31 March 2016.

During the year ended 31 March 2016, the Group completed or substantially completed a number of projects such as the fitting-out works for residential house at South Bay Road, Hong Kong, sub-contract 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, provided electrical installation for residential building at Kwai Fong Street, Happy Valley, Hong Kong, building services installation for the construction of two 30-classroom primary schools at Kai Tak Development, Kowloon, carried out fitting-outs works for Prada shop at Causeway Bay, Hong Kong, and for Miu Miu shop and Prada shop in Beijing.

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

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

During the year ended 31 March 2016, the Group has developed a new business section, which includes long-term and short-term investments in marketable securities and other related financial and/or investment products and opportunities (including without limitation fixed income products, foreign exchange products, commodities and related products, investment funds, pre-IPO investment opportunities, etc.) (the "**New Business**"). The initial capital required for the New Business is financed by internal resources and banking facilities of the Group. The Directors consider the development of the New Business will enable the Group to diversify its business and broaden its revenue base and is in the interest of the Group and the Company's shareholders as a whole. Sales proceeds generated from the New Business for the year ended 31 March 2016 amounted to approximately HK$2.5 million and income from the New Business recognised in other income for the amount of HK$70,000.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2016, the Group's turnover amounted to approximately HK$812 million, increased by approximately 8% as compared to last year. The increase in turnover was mainly due to the (i) increase in turnover of fitting-out section as more contracts were granted during the year in the PRC; (ii) increase in turnover from new E&M projects granted in late 2014 and early 2015; and (iii) the new fitting-out works contracts for new shops of luxury brand in Macau.

Gross profit margin

The Group's gross profit increased by approximately HK$4 million or 9%, from approximately HK$43 million for the year ended 31 March 2015 to approximately HK$47 million for the year ended 31 March 2016. During the year ended 31 March 2016, the gross profit margin was approximately 6%, which is similar as last year.

Other income

Other income decreased by approximately HK$3 million from approximately HK$5 million for the year ended 31 March 2015 to approximately HK$2 million for the year ended 31 March 2016. The decrease was mainly because (1) the decrease in reversal of accrued charge (2015: HK$2.5 million); and (2) the decrease in rental income as a result of the transfer of Kwun Tong office to Deson Development International Holdings Limited and its subsidiaries (other than the Group) ("**Remaining Group**") in November 2014.

Administrative expenses

Administrative expenses decreased by approximately HK$17 million or 34% from approximately HK$50 million for the year ended 31 March 2015 to approximately HK$33 million for the year ended 31 March 2016. Such decrease was the combined result of (1) the one-off listing expenses of approximately HK$12.6 million was incurred in last year for the listing of the Company's shares on the GEM on 8 January 2015; and (2) the decrease in staff costs by approximately HK$3 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 the Remaining Group.

Liquidity and financial resources

As at 31 March 2016, the Group had total assets of HK$267,908,000, which is financed by total liabilities, shareholders' equity and non-controlling interests of HK$232,002,000, HK$29,654,000 and HK$6,252,000, respectively. The Group's current ratio at 31 March 2016 was 1.04 compared to 1.02 at 31 March 2015.

The gearing ratio for the Group is 7% (31 March 2015: 15%). It was calculated based on the non-current liabilities of HK$2,767,000 (31 March 2015: HK$5,035,000) and long term capital (equity and non-current liabilities) of HK$38,673,000 (31 March 2015: HK$33,293,000).

Capital expenditure

Total capital expenditure for the year ended 31 March 2016 was approximately HK$98,000, which was mainly used in the purchase of items 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

Assets with a carrying value of approximately HK$45,727,000 were pledged as securities for the Group's banking facilities. Details of the charges on assets of the Group are set out in note 24 to the financial statements.

Treasury policies

The Directors will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars, hence, there is 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

Details of the movements in the Company's share capital are set out in note 26 to the financial statements.

PROSPECTS

The Group will uphold an on-going parallel development of its construction business (including building construction and E&M works) in the PRC, Hong Kong and Macau. To cope with the difficulties encountered in the construction and engineering industry, the Company 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", enables the Group to take an active part in the construction business development.

During the year, new projects such as acting as main contractor for the development of one residential house and associated external works including construction of sub-structure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong, fitting-out works including E&M works for three Prada/Miu Miu shops at Wynn Palace, Macau, fitting-out works including E&M works for three Prada/Miu Miu shops at City of Dreams, Macau, fitting-out works including E&M works at Purves Road, Hong Kong, fire services and MVAC installation of Multimedia Production And Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong, building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Kowloon, supply and installation of fire services for redevelopment of Methodist International Church Hong Kong at Queen's Road East, Hong Kong, building services installation (electrical, MVAC, fire service and plumbing) of 36-classroom at a primary school in Area 36, Fanling, New Territories, addition and alteration works and fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Kowloon, addition and alteration works at East-Point Centre, Causeway Bay, 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 a staff social center in Suning, Hebei, the PRC, the fitting-out works for a hotel in Beijing, the PRC and addition and alteration works of a hospital in Beijing, the PRC. As at the date of this report, the Group had contracts on hand with a total contract sum of over HK$1,678 million.

Revenue to be recognised for certain new projects during the year, included main contractor for development of eight residential houses, 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, 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 and main contractor for development of one residential house and associated external works including construction of sub-structure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong.

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.

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

The Group is currently operating in the developed cities in the PRC. Urbanisation of the PRC is expected to continue at a rapid pace, in particular, in the third- and fourth-tier cities in the PRC. With the Group's long and established experience in the PRC market, the Directors believe that the Group could grasp such opportunities and selectively expand into the third- and fourth-tier cities in the PRC leveraging on the Group's established expertise.

Regarding the New Business in investments in securities, 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 and the financial controller of the Company, including at least one executive director who acts as an investment manager). The Board will adopt cautious measures to manage this business activity aiming at generating additional investment return on available funds of the Group from time to time.

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 the Group's position in the Hong Kong market and the Group's capital base to support more capital intensive projects; (ii) further expand the Group's business into the PRC; and (iii) continue to expand the Group's 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 report is set out below:

Business objective as stated in the Prospectus	Actual business progress up to 31 March 2016
(i) Strengthen the Group's position in the Hong Kong market and the Group's capital base to support more capital intensive projects	The Group continues its effort in identifying suitable business opportunities with potential customers from time to time. The following new contracts were granted during the year: (i) contract with a contract sum of HK$37 million was granted to the Group to act as a main contractor for the development of one residential house and associated external works including construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong. (ii) contract with a contract sum amount HK$41 million was granted to the Group to perform addition and alteration works and fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Kowloon.
(ii) Further expand the Group's business into the PRC	The Group keeps good relationship with its existing customers. More tenders for contracts were made to broaden the Group's customer base. More projects were granted in the PRC during the year including the construction works for residential buildings, staff social centre, office buildings, hotel, etc. The Group has also made tenders in more locations in the PRC, including Beijing, Shanghai, Shandong, Hebei, Shenzhen, etc.
(iii) Continue to expand the Group's scope of services in building construction works	On 9 December 2014, the Group was approved by the Buildings Department as a Specialist Contractor (site formation). The Group has submitted more tenders for site formation and foundation works during the year.

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 31 March 2016, the unused proceeds of approximately HK$1.1 million were deposited into licensed banks in Hong Kong.

As at 31 March 2016, the net proceeds had been utilised as follows:

	Actual net proceeds HK$ million	Amount utilised up to 31 March 2016 HK$ million	Balance as at 31 March 2016 HK$ million
Operation of two existing projects	**14.9**	**14.3**	**0.6**
General working capital	**1.7**	**1.2**	**0.5**
Total	**16.6**	**15.5**	**1.1**

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other plans for material investment or capital assets as at 31 March 2016.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2016, there was no significant investment held, no material acquisition, disposal of subsidiaries and affiliated companies by the Group.

EVENT AFTER REPORTING PERIOD

Details of event after reporting period are set out in note 35 to the financial statements.

HUMAN RESOURCES

As at 31 March 2016, the Group had 130 employees, 54 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the year ended 31 March 2016 amounted to HK$32 million as compared to HK$34 million for the year ended 31 March 2015, the decrease is mainly due to the transfer of those staff not related to the construction business to Remaining Group after the spin-off of the Group from the Remaining Group.

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

Corporate Governance Report

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 continued 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. The Company has, so far as applicable, principally complied with the CG Code during the period from 1 April 2015 to 31 March 2016 (the "**Period under Review**").

THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Company acknowledges the importance of the roles of its Board of Directors (the "**Board**") in providing effective leadership and direction of the Company towards its objectives and ensuring transparency and accountability of all operations. The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

The Company has a division of functions reserved to the Board and delegated to the management. The Board provides leadership and approves strategic policies and plans with a view to enhance shareholders' interests while the day-to-day operations of the Company are delegated to the management with proper supervision from the Board. The Board reserves for its decisions on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, corporate governance, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board is responsible for determining the policy for corporate governance of the Company and performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirement;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code.

The Company Secretary assists the Chairman in preparing the agenda for Board meetings. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the management. The delegated functions and work tasks are periodically reviewed by the Board after being reported back on by management. Approval has to be obtained from the Board prior to any significant decisions being made or significant transactions or commitments being entered into by the abovementioned officers, who cannot exceed any authority given to them by resolutions of the Board or the Company.

The Board has the full support of the Chief Executive Officer and the management to discharge its responsibilities.

The Company has arranged for appropriate insurance cover in respect of legal actions against the Board and to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Composition

The Company had adopted a Board diversity policy aims to set out the approach to achieve the diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members.

The Nomination Committee will follow a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon possible contribution that the selected candidates will bring to the Board.

The Board of the Company comprises the following Directors:

Executive Directors

Mr. Keung Kwok Cheung *(Chief Executive Officer)*
Mr. Kwok Koon Keung
Mr. Lo Wing Ling
Mr. Ong Chi King *(appointed on 21 December 2015)*

Non-executive Directors

Mr. Tjia Boen Sien *(Chairman)*
Mr. Ong King Keung *(re-designated as Non-executive Director on 21 December 2015)*

Independent Non-executive Directors

Mr. Lee Tho Siem
Mr. Cheung Ting Kee
Mr. Chan Ka Yin *(appointed on 21 December 2015)*

Except for Mr. Ong Chi King, the executive Director of the Company appointed on 21 December 2015, who is the brother of Mr. Ong King Keung, who previously was an independent non-executive Director and was re-designated as a non-executive Director of the Company on 21 December 2015, none of the members of the Board are related to one another or have any financial, business, family or other material or relevant relationships with each other.

Corporate Governance Report

During the Period under Review, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, with at least one independent non-executive Director possesses the appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received a written annual confirmation from each of the independent non-executive Director regarding his independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

The non-executive Directors bring independent judgement on issues of strategic direction, policies, development, performance and risk management through their contribution at Board meetings.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors will scrutinize the performance of the Company in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

The Board values the contribution of the non-executive Directors and the independent non-executive Directors, and strives to ensure constructive relations between them and the executive Directors. All Directors are encouraged to contribute their views during Board meetings.

Appointment and succession planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors. Directors to be appointed will have a formal letter of appointment setting out the key terms and conditions of their appointment. Any Board member is entitled to recommend suitable candidate that meet the requirements of the GEM Listing Rules for consideration by the Board.

All Directors are required to retire by rotation at least once every three years at the annual general meeting, subject to re-election by the shareholders. All Non-Executive Directors (including Independent Non-Executive Directors) are appointed for a term of not more than three years.

Training for Directors and Company Secretary

Each newly appointed director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

During the year ended 31 March 2016, the Directors are regularly updated and appraised with any new regulations and guidelines, as well as any amendments thereto issued by the Stock Exchange, particularly the effects of such new or amended regulations and guidelines on directors especially. On an ongoing basis, the Directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars as appropriate.

The Directors have been informed of the requirement under CG Code A.6.5 regarding continuous professional development. The Company has received from each of the Directors, namely Mr. Keung Kwok Cheung, Mr. Kwok Koon Keung, Mr. Lo Wing Ling, Mr. Ong Chi King, Mr. Tjia Boen Sien, Mr. Ong King Keung, Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Chan Ka Yin, a written record of his continuous professional development training received.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

For the financial year ended 31 March 2016, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training.

Board meetings

During the Period under Review, thirteen full board meetings were held. Details of the attendance of the Directors are as follows:-

	Directors' attendance
Executive Directors	
Mr. Keung Kwok Cheung *(Chief Executive Officer)*	13/13
Mr. Kwok Koon Keung	13/13
Mr. Lo Wing Ling	13/13
Mr. Ong Chi King *(appointed on 21 December 2015)*	4/13
Non-executive Directors	
Mr. Tjia Boen Sien *(Chairman)*	13/13
Mr. Ong King Keung *(re-designated as Non-executive Director on 21 December 2015)*	11/13
Independent Non-executive Directors	
Mr. Lee Tho Siem	13/13
Mr. Cheung Ting Kee	12/13
Mr. Chan Ka Yin *(appointed on 21 December 2015)*	4/13

Notice of regular Board meetings were served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate information are sent to all Directors at least three days before each Board meeting or committee meeting so as to ensure that there is timely access to relevant information. All Directors can give notice to the Chairman of the Board or the Company Secretary if they intend to include matters in the agenda for Board meetings. The Board and the senior management are also obligated to keep the Directors appraised with the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary in a timely manner.

The Company Secretary, who is an employee of the Company, is responsible to take and keep minutes of all Board meetings and Board committee meetings, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed. At Board meetings, all Directors have ample opportunities to express their respective views, voice any concerns and discuss the matters under consideration, and the results of voting at Board meetings fairly reflects the consensus of the Board. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. Directors are entitled to have access to board papers and queries will be responded fully. According to the current practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Such Director must abstain from voting and will not be counted as quorum.

Directors' commitments

Each Director has confirmed that he can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The respective responsibilities of the Chairman and the Chief Executive Officer are clearly defined and set out in writing. The Chairman provides leadership for the Board and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chairman is primarily responsible for ensuring good corporate governance practices and procedures are established. He encourages all Directors to make full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. He ensures that appropriate steps are taken to provide effective communication with shareholders and their views are communicated to the board as a whole. With the support of the management, the Chairman is also responsible for ensuring that the Directors receive adequate information (whether from senior management or otherwise) in a timely manner, which is accurate, clear, complete and reliable, and appropriate briefing on issues arising at Board meetings as well as to ensure constructive relations between the executive and non-executive Directors.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval, as well as developing policies and practices on corporate governance and compliance with legal and regulatory requirements.

The position of Chairman is held by Mr. Tjia Boen Sien while the position of the Chief Executive Officer is held by Mr. Keung Kwok Cheung.

The Chairman has held a meeting with the independent non-executive Directors without the executive Directors.

BOARD COMMITTEES

The Board has established four committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Internal Control Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees have complied with the Code provisions and are available on the Stock Exchange website www.hkexnews.hk and the Company's website www.deson-c.com and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. These Board committees will report back to the Board on their decisions or recommendations.

Audit Committee

The Audit Committee comprises all three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr. Chan Ka Yin is appointed as the chairman of the committee on 21 December 2015, while Mr. Ong King Keung, the previous chairman of the committee is re-designated as the non-executive Director on 21 December 2015. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Group's unaudited quarterly results, interim results and annual results during the year ended 31 March 2016 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

The main duties of the Audit Committee include the following:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the Board;

(b) to review the relationship with the external auditors by reference to the work performed by the auditors, their fees, terms of engagement and its independence assessment, and make recommendation to the Board on the appointment, reappointment and removal of external auditors;

(c) to review the adequacy and effectiveness of the Company's financial reporting system, and risk management system, internal control system and associated procedures; and

(d) to review the adequacy of resources, qualifications and experience of the Company's accounting and financial reporting staff, their training programs, and budget.

The Audit Committee held 4 meetings during the Period under Review to review the latest annual financial results and reports, financial reporting and compliance procedures, effectiveness of internal control systems and the appointment of the external auditors. Minutes of Audit Committee meetings are kept by the Company Secretary of the Company. Draft and final version of the minutes of meetings are sent to all committee members for comments within a reasonable time after the meeting. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resource is provided by the Company for the Audit Committee to perform its duties.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

Details of the attendance record of members of the Audit Committee are set out below:

Name of Member	Members' attendance
Mr. Chan Ka Yin *(Chairman) (appointed on 21 December 2015)*	1/4
Mr. Lee Tho Siem	4/4
Mr. Cheung Ting Kee	4/4
Mr. Ong King Keung *(previous Chairman)* *(re-designated as non-executive Director on 21 December 2015)*	3/4

Remuneration Committee

Mr. Lee Tho Siem, Mr. Ong King Keung (re-designated as a non-executive Director on 21 December 2015), Mr. Cheung Ting Kee, Mr. Chan Ka Yin (appointed as independent non-executive Director on 21 December 2015), Mr. Keung Kwok Cheung and Mr. Tjia Boen Sien are the members of the Remuneration Committee and Mr. Lee Tho Siem is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the executives after consultation with the Chairman/Chief Executive Officer and access to professional advice, at the Company's expense, when necessary. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as the market practice and conditions. The Remuneration Committee normally meets towards at the end of each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors, non-executive Directors, independent non-executive Directors and senior management and other related matters. The Company's remuneration policy is to maintain fair and competitive remuneration packages based on business needs and market practice. Factors such as market rate, an individual's qualification, experience, performance and time commitment are taken into account during the remuneration package determination process.

During the Period under Review, one Remuneration Committee meeting was held on 22 June 2015 and reviewed the remuneration packages of the Directors and senior management. Recommendations have been made to the Board.

Details of attendance record of members of the Remuneration Committee are set out below:

Name of Member	Members' attendance
Mr. Lee Tho Siem *(Chairman)*	1/1
Mr. Keung Kwok Cheung	1/1
Mr. Tjia Boen Sien	1/1
Mr. Chan Ka Yin *(appointed on 21 December 2015)*	0/1
Mr. Cheung Ting Kee	1/1
Mr. Ong King Keung *(re-designated as non-executive Director on 21 December 2015)*	1/1

Nomination Committee

Mr. Lee Tho Siem, Mr. Ong King Keung (re-designated as a non-executive Director on 21 December 2015), Mr. Cheung Ting Kee, Mr. Chan Ka Yin (appointed as an independent non-executive Director on 21 December 2015), Mr. Keung Kwok Cheung and Mr. Tjia Boen Sien are the members of the Remuneration Committee and Mr. Lee Tho Siem is the chairman of the committee. The primary objectives of the Nomination Committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience. The Nomination Committee also assesses the independence of independent non-executive Directors and make recommendation to the Board on the appointment and reappointment of Directors and succession planning for Directors. Candidates for appointment as Directors may be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest caliber in their area of expertise and experience.

During the Period under Review, one Nomination Committee meeting was held on 22 June 2015 to review the structure, size and composition of the Board.

Details of attendance record of members of the Nomination Committee are set out below:

Name of Member	Members' attendance
Mr. Lee Tho Siem *(Chairman)*	1/1
Mr. Keung Kwok Cheung	1/1
Mr. Tjia Boen Sien	1/1
Mr. Cheung Ting Kee	1/1
Mr. Chan Ka Yin *(appointed on 21 December 2015)*	0/1
Mr. Ong King Keung *(re-designated as non-executive Director on 21 December 2015)*	1/1

Internal Control Committee

The main duties of the Internal Control Committee include the following:

(i) for ensuring good corporate governance standards and practices are maintained, evaluating and determining the nature and extent of the risks the Board is willing to take in achieving the Company's strategic objectives, ensuring that the Company establishes and maintains appropriate and effective risk management and internal controls systems, overseeing management in the design, implementation and monitoring of the risk management and internal control systems, ensuring that management provides a confirmation to the Board on the effectiveness of these systems by performing the duties set out in its terms of reference,

(ii) reviewing and discussing solutions to regulatory compliance and internal control matters, and

(iii) reviewing and implementing, and monitoring any non-compliance of the non-competition agreement entered into by Deson Development International Holdings Limited in favour of the Company dated 16 December 2014.

During the Period under Review, one Internal Control Committee meeting was held on 22 June 2015 to review this Corporate Governance Report, as well as to review the effectiveness of the Group's internal control system as further detailed in the "**Internal Control and Risk Management**" section in this report.

Details of attendance record of members of the Internal Control Committee are set out below:

Name of Member	**Members' attendance**
Mr. Chan Ka Yin *(Chairman) (appointed on 21 December 2015)*	0/1
Mr. Cheung Ting Kee	1/1
Mr. Lee Tho Siem	1/1
Mr. Ong King Keung *(previous Chairman) (re-designated as non-executive Director on 21 December 2015)*	1/1

AUDITORS' REMUNERATION

For the year ended 31 March 2016, the Group had engaged the Group's external auditors, Ernst & Young, to provide the following services, and their respective fees charged are set out as below:

Fee charged for the year ended 31 March 2016	HK$
Types of services:	
Audit of the Group	1,160,000
Non-audit services — taxation services	73,000
Total	1,233,000

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors with reference to, and which is on terms no less exacting than, the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Specific enquiry has been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings throughout the Period under Review.

The Company has adopted the same code of conduct regarding securities transactions for its employees and for directors or employees of its subsidiaries and holding companies who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the code of conduct regarding securities transactions by employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the financial position of the Group and of the financial performance and cash flow for the financial year. Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Group's accounts are prepared in accordance with the GEM Listing Rules, the disclosure requirements of the Hong Kong Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Directors endeavour to ensure a balanced, clear and understandable assessment of the Group's position and prospect in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2016. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "**Independent Auditors' Report**" on pages 45 to 46. Management of the Group is obligated to provide sufficient explanation and information to the Board so that it can make an informed assessment of financial and other relevant matters.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining a sound and effective internal control and risk management system of the Group. Internal control system policies and procedures are designed to identify and manage the risks that the Group may be exposed to, thereby providing reasonable assurance regarding the achievement of corporate objectives and the safeguarding of shareholder interests. Controls are monitored by periodic management review at least once every year. Internal financial systems also allow the Board to monitor the Group's overall financial position, to protect the Group's assets and to mitigate against material financial misstatement or loss. Through the Audit Committee and Internal Control Committee, the Board has conducted a review of the effectiveness of the internal control and risk management system of the Company and its subsidiaries during the Period under Review in accordance with the code provisions on internal control, and considered that the system was sound and adequate and implemented effectively. The review covered all material controls, including financial, operational and compliance controls, risk management functions, the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions.

INVESTOR RELATIONS

The Company is committed to maintaining an open and effective investor relations policy and to updating investors on relevant information/developments on a timely manner, subject to relevant regulatory requirements. Briefings and meetings with institutional investors and analysts are conducted from time to time. The Company also replies to any enquiries from shareholders on a timely manner. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The corporate website of the Company at www.deson-c.com provides a communication platform via which the public and investor community can access up-to-date information regarding the Company.

Shareholders may also send any enquiries, suggestions or concerns to the Board at any time through the Company Secretary, whose contact details are as follows:

Address	: The Company Secretary, Deson Construction International Holdings Limited, 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Email	: info@deson-c.com
Telephone no.	: (852) 2570 1118
Fax no.	: (852) 3184 3401

The Company Secretary will forward such communications to the Board, the relevant Board committees and/or the Chief Executive Officer, as appropriate.

SHAREHOLDER RIGHTS

To ensure compliance with the CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least twenty clear business days before the annual general meeting. Voting at the forthcoming annual meeting will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the annual general meeting to ensure that shareholders are familiar with such procedures.

Poll results will be counted by Hong Kong Branch Registrar, Tricor Investor Services Limited and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as the chairmen of the Remuneration Committee, Nomination Committee, Audit Committee and Internal Control Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings. The Company will also arrange for the external auditors to attend the annual general meetings to answer relevant questions if necessary.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

In addition to regular Board meetings, the Board, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, may convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the Company Secretary, at the Company's head office at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s). Shareholders may also use this same method to put forward proposals for the next general meeting.

During the Period under Review, there were no significant changes to the Company's constitutional documents.

SHAREHOLDERS COMMUNICATION POLICY

The Company has established a Shareholders Communication Policy to set out the Company's procedures in providing the shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and the investment community to engage actively with the Company.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Keung Kwok Cheung ("Mr. Keung"), aged 58, is the chief executive officer and an executive Director of the Company since December 2014. He is also a member of both the remuneration and nomination committees of the Board. Mr. Keung is primarily in charge of the Group's overall corporate strategy and daily operations, including business development and overall management. He is the Technical Director and an Authorised Signatory for Deson Development Limited as a Registered General Building Contractor with the Buildings Department since 1999.

Mr. Keung has over 34 years of experience in the fields of civil, structural and building engineering and in the management of large-scale projects.

Mr. Keung was awarded with an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1982 and graduated from the University of Macau (formerly known as University of East Asia, Macau) with the Master of Business Administration in January 1991. He was admitted as a fellow member of The Hong Kong Institute of Directors in September 2004.

Kwok Koon Keung ("Mr. Kwok"), aged 49, is an executive Director of the Company since December 2014. Mr. Kwok is primarily responsible for the building and fitting-out works division of the Group and further responsible for the planning and coordination of projects, which covers the coordination of engineering resources, progress monitoring and work performance. Mr. Kwok has over 26 years of experience in the building industry.

Mr. Kwok graduated from the London South Bank University (formerly known as South Bank University) with a Bachelor of Science Degree with distinction in June 1992. He is a professional associate of The Royal Institution of Chartered Surveyors since November 1997.

Lo Wing Ling ("Mr. Lo"), aged 57, is an executive Director of the Company since December 2014. Mr. Lo is in charge of the electrical and mechanical engineering division of our Group, responsible for the planning and co-ordination of projects, which cover the coordination of engineering resources, progress monitoring and work performance. Mr. Lo has over 30 years of experience in environmental engineering and building service work. Mr. Lo joined the Group in August 2000 as the director of Kenworth Engineering Limited. Mr. Lo is the Technical Director and an Authorised Signatory for Kenworth Engineering Limited as a Registered Specialist Contractor (Ventilation) with the Buildings Department since 2000 and 2001 respectively.

Mr. Lo graduated from the University of Hong Kong with a Bachelor of Science degree in Engineering in November 1981 and through part-time studies, graduated from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) with a Bachelor of Arts degree in Business Studies in November 1990. He has also studied as an external student and obtained a Master of Science degree in Environmental Management from the University of London in December 2003.

ONG Chi King ("Mr. Ong"), aged 42, is the executive Director of the Company since 21 December 2015. Mr. Ong is a member of the Hong Kong Institute of Certified Public Accountants since December 1998 and a fellow member of the Association of Chartered Certified Accountants since September 2003. Mr. Ong obtained a Bachelor of Business Administration Degree in Accounting (Hons.) from The Hong Kong University of Science and Technology in Hong Kong in November 1995 and a Master of Corporate Finance Degree from The Hong Kong Polytechnic University in November 2004. Mr. Ong has over 20 years of experience in accounting, finance and company secretarial fields and held senior positions in finance and company secretarial departments in various companies listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

Mr. Ong is an independent non-executive Director of the following listed public companies:

Company	Stock code
Hong Kong Education (Int'l) Investments Limited	1082
China Environmental Resources Group Limited	1130
Wan Kei Group Holdings Limited	1718
Capital VC Limited	2324
WLS Holdings Limited	8021
King Force Security Holdings Limited	8315
Larry Jewelry International Company Limited	8351

Mr. Ong was an independent non-executive Director of KSL Holdings Limited (stock code: 8170), a company listed on the GEM, from 19 November 2014 to 2 June 2016.

Mr. Ong was also a director of Fitness Concept International Holdings Limited, an investment holding company incorporated in the Cayman Islands, which was dissolved on 30 June 2005 by striking off due to cessation of business.

NON-EXECUTIVE DIRECTORS

Tjia Boen Sien ("Mr. Tjia"), aged 72, is the chairman and non-executive Director of the Company since December 2014. He is also a member of both the remuneration and nomination committees of the Board. He has over 33 years of experience in the building industry in the PRC and Hong Kong. Mr. Tjia is one of the co-founders of the DDIHL Group (including the Group). Mr. Tjia is primarily responsible for a consultative role in matters concerning our Group and is not involved in the day-to-day management of our Group.

Mr. Tjia graduated from chemistry studies at the Huaqiao University (華僑大學) in the PRC in July 1966. He was admitted as member of The Chartered Institute of Building in November 1996 and is a professional member of The Royal Institution of Chartered Surveyors since October 2002. Mr. Tjia previously served as the vice chairman and honorable member of Zhan Tian You Civil Engineering Science and Technology Development Fund Management Committee (詹天佑土木工程科學技術發展基金管理委員會).

Ong King Keung ("Mr. KK Ong"), aged 40, was an independent non-executive Director of the Company since December 2014 to 21 December 2015, and re-designated as a non-executive Director on 21 December 2015. During the same period, he was also the chairman of the audit and internal control committees and a member of the remuneration and nomination committees of the Board. He has over 16 years of experience in the auditing and accounting industry. Mr. KK Ong is currently the company secretary of Unity Investments Holdings Limited (stock code: 913). Mr. KK Ong obtained a Bachelor of Arts Degree in Accountancy from The Hong Kong Polytechnic University in November 1998 and a Master of Science Degree in Finance from the City University of Hong Kong in November 2007. Mr. KK Ong has been a fellow member of the Association of Chartered Certified Accountants since October 2007 and a fellow member of the Hong Kong Institute of Certified Public Accountants since June 2010.

Mr. KK Ong is an independent non-executive Director of China Water Affairs Group Limited (stock code: 855) and China Candy Holdings Limited (stock code: 8182). Mr. KK Ong was an independent non-executive Director of China Environmental Energy Investment Limited (stock code: 986) from March 2013 to August 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Ka Yin ("Mr. Chan"), aged 42, is an independent non-executive Director of the Company since 21 December 2015. He is also the chairman of the audit and internal control committees and a member of the remuneration and nomination committees of the Board. He is a fellow member of the Association of Chartered Certified Accountants since December 2004 and the Hong Kong Institute of Certified Public Accountants since May 2010. He obtained a Bachelor of Business Administration Degree in Accounting and Finance (Hons.) from the University of Hong Kong in November 1996. Mr. Chan is currently a director of a corporate services company in Hong Kong. He has ample experience in auditing, accounting, financial management and company secretarial practices in respect of listed companies.

Mr. Chan was an independent non-executive director of China Environmental Resources Group Limited, a company listed on the main board of the Stock Exchange (stock code: 1130) during the period from March 2013 to January 2015.

Cheung Ting Kee ("Mr. Cheung"), aged 47, is an independent non-executive Director of the Company since December 2014. He is also a member of the remuneration, nomination, audit and internal control committees of the Board. Mr. Cheung has over 20 years of working experience in the securities industry including equity research, equity sales, fund management and corporate finance. Mr. Cheung is currently the sole director and responsible officer of a Hong Kong company being a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO.

Mr. Cheung obtained a Bachelor of Business Administration Degree and a Master in Professional Accounting. Mr. Cheung is a fellow member of the Institute of Certified Management Accountants, Australia.

Lee Tho Siem ("Mr. Lee"), aged 76, is an independent non-executive Director of the Company since December 2014. He is also the chairman of the remuneration and nomination committees and a member of the audit and internal control committees of the Board. He has over 39 years of experience in the banking industry. He worked in Hua Chiao Commercial Bank Limited from September 1963 to November 2001 and was appointed as a director and acting general manager in January 2000.

SENIOR MANAGEMENT

Yeung Yam Chi ("Mr. Yeung"), aged 54, is the general manager of our Group. Mr. Yeung joined our Group in April 1994 and over 30 years of experience in the field of civil and structural engineering, interior fitting-out and decoration works. He is responsible for the Group's construction projects in Hong Kong and the PRC, in particular, progress monitoring and quality assurance, site co-ordination, submission of government documents, liaison with clients, architects, sub-contractors and consultants and also provide technical review of the sub-contractors' standard and qualification. Mr. Yeung is an Authorised Signatory for Deson Development Limited as a Registered General Building Contractor with the Buildings Department since 1999. Mr. Yeung obtained a Diploma in Civil Engineering from Hong Kong Baptist University in July 1985 and a Master of Engineering Degree from The University of Sheffield in January 1987.

Chan Chi Kwong ("Mr. Chan"), aged 53, is a project director of our Group. Mr. Chan joined our Group in July 1992 and has over 31 years of experience in the field of civil and structural engineering. He is responsible for our Group's construction projects in Hong Kong. He is an Authorised Signatory for Deson Development Limited as Registered General Building Contractor with the Buildings Department since 1999. Mr. Chan obtained a Bachelor of Science Degree in construction management from the University of Wolverhampton in October 2003. He was admitted as an associate member of The Chartered Institute of Building in January 1995.

Lee Kai Ming ("Mr. Lee"), aged 57, is a senior project manager of our Group. Mr. Lee joined our Group in August 1997 and is now responsible for all our building services projects in Hong Kong. Mr. Lee is a Technical Director for Kenworth Engineering Limited as a Registered Specialist Contractor (Ventilation) with the Building Department since 2002. Mr. Lee has over 33 years of experience in the field of building services and engineering.

Mr. Lee has obtained a Higher Diploma in Mechanical Engineering and an Endorsement Certificate in Building Services from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1982 and November 1988 respectively. He has passed the Engineering Council Examination Part 2 subjects by The Engineering Council in July 1985. Mr. Lee is a member of The Chartered Institution of Building Services Engineers since February 1987 and was authorized as a chartered engineer under The Engineering Council since February 1988. He is a member of The Hong Kong Institution of Engineers since June 1991. Furthermore, Mr. Lee is registered as a Registered Professional Engineer (Building Services) with the Engineering Registration Board since April 2011.

LAM Wing Wai, Angus ("Mr. Lam"), aged 40, joined the Group in September 2005. He is the Company Secretary and the Financial Controller of the Group. He is responsible for monitoring all the Group's accounting, finance, listing compliance and company secretarial functions. He holds a Bachelor Degree in Business Administration from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, He has several years' experience with an international accounting firm. Mr. Lam is the company secretary and financial controller of Deson Development International Holdings Limited (stock code: 262), a company listed on the main board of the Stock Exchange.

Li Ngan Mei, May ("Ms. Li"), aged 55, is the administration manager of our Group. Ms. Li joined our Group in December 1988 and has over 31 years of experience in dealing with personnel and administration matters. She is in charge of our Group's administrative and human resources matters including the overseeing of the administrative department, which is responsible for maintenance and renewal of our licences, permits and qualifications.

Report of the Directors

The Directors herein present their report and the audited financial statements of the Group for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the year, the Company's subsidiaries 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, Mainland China and Macau.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 March 2016 and the Group's financial position at that date are set out in the financial statements on pages 47 to 117.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: HK0.5 cent per ordinary share).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 43.

SHARE CAPITAL

Details of movements in the share capital during the year are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to HK$7,844,000.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five years, as extracted from the audited financial statements, is set out on page 118. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2016 is set out in the section headed "**Management Discussion and Analysis**" on pages 6 to 13 of this annual report. These discussions form part of this "**Report of the Directors**".

PRINCIPAL RISKS AND UNCERTAINTIES

The management is already aware of the principal risks associated with the Group's business and accordingly estimates and manages all kinds of risks encountered through inspection under the risk management and internal control system.

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

The Group is reliant on the availability of public and private sector construction projects in Hong Kong

The results of operations of the Group for building construction section are affected by the number and availability of public and private sector construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to the Hong Kong property markets and the general conditions of the property markets in Hong Kong. A downturn in either factor may result in a significant decrease in the main contractor works for property re-development for both residential properties or industrial factory buildings in Hong Kong in general.

The Group is reliant on the availability of fitting-out projects of luxury brands in both Hong Kong and the PRC

The results of operations of the Group for fitting-out section are affected by the expansion rate of the luxury brand. In the event that there is a downturn in the economy of Hong Kong and the PRC, fewer shops will be opened. It may result in a significant decrease in fitting-out works for the luxury brand shops.

The Group's business is labour-intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

The Group's construction works are labour-intensive in nature. During the three years ended 31 March 2016, the Group and its subcontractors did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs. However, there is no assurance that the Group will not experience these problems in the future when the peak load of construction activities is ongoing. In the event that there is a significant increase in the costs and demand of labour and we have to retain our labour by increasing their wages, the Group's staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if the Group or the Group's subcontractors fail to retain the Group's existing labour and/or recruit sufficient labour on a timely manner to cope with the Group's existing or future projects, the Group may not be able to complete the Group's projects on schedule and within budget, the Group's operations and profitability may be adversely affected.

The pricing of the Group is determined based on the estimated time and costs involved in a job which may deviate from the actual time and costs involved and any material inaccurate estimation may affect the Group's financial results

The Group needs to estimate the time and costs involved in projects for all sections in order to determine the fee. There is no assurance that the actual amount of time and costs would not exceed the Group's estimation during the performance of the jobs. The actual amount of time and costs involved in completing the job may be adversely affected by many factors, including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions. Any material inaccurate estimation in the time and costs involved in a job may adversely affect the profit margin and results of operations of the Group.

IMPORTANT EVENTS AFTER THE REPORTING DATE AFFECTING THE GROUP

On 29 March 2016 (after trading hours), the Company entered into a placing agreement with the placing agent pursuant to which the Company had conditionally agreed to place, through the placing agent, on a best effort basis, the convertible bonds under general mandate with principal amounts aggregating up to HK$30,900,000 to not less than six placees at the initial conversion price of HK$0.30 per conversion share. The conditions precedent set out in the placing agreement have been fulfilled and the completion of the placing took place on 18 April 2016.

For details, please refer to the announcements of the Company dated 29 March 2016 and 18 April 2016.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. The Group strives to become an environmental-friendly corporation by saving electricity and encouraging recycling of office supplies and other materials. The Group and its activities are subject to requirements under various laws.

The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and Immigration Ordinance (Chapter 115 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with the applicable laws and regulations.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 31 March 2016, the Group had a headcount of 130 employees (2015: 127). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Company and individual performance. The Company has also adopted a share option scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests. Being people-oriented, the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Group has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the year ended 31 March 2016.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2016, sales to the Group's five largest customers accounted for approximately 46% (2015: 55%) of the total sales for the year and sales to the largest customer included therein amounted to 15% (2015: 25%). Purchases from the Group's five largest suppliers accounted for approximately 27% (2015: 29%) of the total purchases for the year and purchases from the largest customer included therein amounted to 10% (2015: 7%).

None of the Directors of the Company or any of their associates (as defined in the GEM Listing Rules) or any other shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Keung Kwok Cheung[a, b], *Chief Executive Officer*
Mr. Kwok Koon Keung
Mr. Lo Wing Ling
Mr. Ong Chi King *(appointed on 21 December 2015)*

Non-executive Directors

Mr. Tjia Boen Sien[a, b], *Chairman*
Mr. Ong King Keung *(re-designated on 21 December 2015)*

Independent Non-executive Directors

Mr. Lee Tho Siem[a, b, c & d]
Mr. Cheung Ting Kee[a, b, c & d]
Mr. Chan Ka Yin[a, b, c & d] *(appointed on 21 December 2015)*

a Remuneration committee member
b Nomination committee member
c Audit committee member
d Internal control member

Mr. Keung Kwok Cheung, Mr. Kwok Koon Keung, Mr. Ong Chi King, Mr. Ong King Keung and Mr. Chan Ka Yin are subject to retirement by rotation according to the Company's articles of association and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules as at 31 March 2016 and the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's board of Directors with reference to Director's duties, responsibilities and performance and the results of the Group.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No Directors of the Company had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Save as disclosed under the heading "**Continuing connected transactions**" below and "**Related party transactions**" in note 31 to the financial statements, there is no contract of significance to the business of the Group between the Company, or any of its subsidiaries, or a controlling shareholder or any of its subsidiaries, to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a part, during the year. During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries was made.

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 31 March 2016.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting date are as follows:

Name or category of participant	Number of share options: At 1 April 2015	Number of share options: Granted during the period	Number of share options: Exercised during the period	Number of share options: At 31 March 2016	Date of grant of share options	Exercise period of share options	Price of the Company's shares**: Exercise price of share options* HK$ per share	Price of the Company's shares**: At grant date of options HK$ per share
Directors:								
Keung Kwok Cheung	—	2,400,000	—	2,400,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Kwok Koon Keung	—	2,200,000	—	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lo Wing Ling	—	2,200,000	—	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong Chi King	—	1,000,000	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lee Tho Siem	—	1,000,000	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Cheung Ting Kee	—	1,000,000	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong King Keung	—	1,000,000	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
	—	10,800,000	—	10,800,000				
Other employees, in aggregate	—	7,200,000	—	7,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Total	—	18,000,000	—	18,000,000				

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing price immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

Further details of the Share Option Scheme and the share options issued under the Share Option Scheme are included in note 27 to the financial statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2016.

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

As at 31 March 2016, 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 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

	Number of ordinary shares held, capacity and nature of interest		Number of underlying ordinary shares of HK$0.025 each in the Company		
Name of Director	**Directly beneficially owned**	**Through controlled corporation**	**Options***	**Total**	**Percentage of the Company's issued share capital**
Mr. Keung Kwok Cheung	–	–	2,400,000	2,400,000	0.24%
Mr. Kwok Koon Keung	500	–	2,200,000	2,200,500	0.22%
Mr. Lo Wing Ling	–	–	2,200,000	2,200,000	0.22%
Mr. Ong Chi King	8,802,000	–	1,000,000	9,802,000	0.98%
Mr. Tjia Boen Sien ("Mr. Tjia")	22,887,200	538,414,868 *(Note 1)*	–	561,302,068	56.13%
Mr. Ong King Keung	–	–	1,000,000	1,000,000	0.10%
Mr. Lee Tho Siem	–	–	1,000,000	1,000,000	0.10%
Mr. Cheung Ting Kee	–	–	1,000,000	1,000,000	0.10%

* The options were granted on 3 February 2016 with consideration of HK$1 under the Share Option Scheme adopted by the Company. The above options could be exercised from the date of grant to 2 February 2019 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK$0.025 each in the Company at an initial exercise price of HK$0.28 per share. None of the options were exercised by any of the above Directors during the year. Further details of the Directors' interests in underlying shares in respect of the options are disclosed in Note 2 below.

Notes:

(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 26,645,000 shares in the Company and it beneficially owned 349,935,000 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 538,414,868 shares in the Company (being aggregate of 26,645,000 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).

(2) Details of Directors' interests in underlying shares in respect of the options granted under the Share Option Scheme are summarised as follows:

Name of Director	**Exercise price per share** *HK$*	**Number of underlying ordinary shares of HK$0.025 each in the Company in respect of which options have been granted Balance as at 31 March 2016**
Mr. Keung Kwok Cheung	0.28	2,400,000
Mr. Kwok Koon Keung	0.28	2,200,000
Mr. Lo Wing Ling	0.28	2,200,000
Mr. Ong Chi King	0.28	1,000,000
Mr. Lee Tho Siem	0.28	1,000,000
Mr. Cheung Tin Kee	0.28	1,000,000
Mr. Ong King Keung	0.28	1,000,000

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

B. **Interest 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		
Name of Director	**Directly beneficially owned**	**Through controlled corporation**	**Options***	**Total**	**Percentage of the Company's issued share capital**
Mr. Tjia	68,661,600(L)	349,935,000(L) *(Note 1)*	500,000	419,096,600	42.86%
Mr. Keung Kwok Cheung	300,000(L)	—	4,000,000	4,300,000	0.44%
Mr. Kwok Koon Keung	1,500(L)	—	1,500,000	1,501,500	0.15%
Mr. Lo Wing Ling	—	—	1,500,000	1.500,000	0.15%
Mr. Lee Tho Siem	1,785,000(L) *(Note 2)*	—	—	1,785,000	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 349,935,000 shares in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 349,935,000 shares in DDIHL held by Sparta Assets.

2. Mr. Lee Tho Siem directly beneficially owned 1,110,000 shares and is deemed interested in 675,000 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	Number of underlying ordinary shares of HK$0.10 each in DDIHL in respect of which options have been granted Balance as at 31 March 2016
	HK$	
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.

As at 31 March 2016, 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 31 March 2016, 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 31 March 2016, 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 *(Note 1)*	511,769,868	51.18%
Sparta Assets	Beneficial owner	26,645,000	2.66%
	Interest in controlled corporations *(Note 2)*	511,769,868	51.18%

Notes:

1. 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.

2. Sparta Assets directly beneficially owned 349,935,000 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, at 31 March 2016, 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

During the year, according to the GEM Listing Rules, the following Director has interests in the following businesses which are considered to compete or likely to compete, either directly or indirectly, with the business of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group:

Name of Director	Name of entity which are considered to compete or likely to compete with the business of the Group	Description of business	Nature of interests
Mr. Ong Chi King	Wan Kei Group Holdings Limited	Principally engaged in (i) foundation works; and (ii) ground investigation field works	Independent non-executive director
	WLS Holdings Limited	Provision of management contracting services, other services for construction and building work	Independent non-executive director
	KSL Holdings Limited	Provision of engineering consulting, contracting and project management services	Independent non-executive director (resigned on 2 June 2016)

As the Board of Directors of the Company is independent of the boards of the above-mentioned entities and the above Director cannot control the Board of the Company, the Group is therefore capable of carrying its business independently of and at arm's length from the businesses of these entities.

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 year.

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 third quarterly report of the Company dated 5 February 2016, which is required to be disclosed pursuant to the Rule 17.50A(1) of the GEM Listing Rules:

Mr. Ong Chi King

Resigned as an independent non-executive Director of KSL Holdings Limited (stock code: 8170), a company with its shares listed on the GEM of the Stock Exchange, on 2 June 2016.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited, as at 31 March 2016, 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.

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 for the year ended 31 March 2016.

CONTINUING CONNECTED TRANSACTIONS

Administrative services agreement

On 16 December 2014, Grand On Enterprise Limited ("**Grand On**"), a wholly-owned indirect subsidiary of DDHL, which is a controlling shareholder of the Company, and Deson Development Limited ("**DDL**"), a wholly-owned indirect subsidiary of the Company, entered into an administrative services agreement ("**Administrative Services Agreement**"), pursuant to which DDL, as a service provider, has agreed to provide Grand On certain administrative services including provision of office facilities, utilities and equipment support, cleaning services, administrative support and information technology system and technical training support, for a term of three years from 8 January 2015 and ending on 31 March 2017. In consideration of provision of such administrative services, Grand On shall pay to DDL a service fee, based on DDL's actual direct and indirect cost incurred in the supply and procuring of the supply of such services, including overheads, human and/or other resources. The annual service fee payable by Grand On to DDL for each of the financial years ended 31 March 2015 and 2016 and the financial year ending 31 March 2017 is not expected to exceed HK$600,000.

Lease of office in Hong Kong

On 21 November 2014, Grand On as landlord and DDL as tenant, entered into a tenancy agreement, for the rental of certain portions of the Nanyang Plaza property located at 11th Floor of Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong with an aggregate floor area of approximately 9,500 square feet ("**sq. ft.**") and the joint rights to occupy and use a common area with aggregate floor area of approximately 3,200 sq. ft. The term of tenancy is from 21 November 2014 to 31 March 2017, with a rental of HK$143,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for each of the financial years ended 31 March 2015 and 2016 and the financial year ending 31 March 2017 is not expected to exceed HK$1,716,000.

Lease of office in Shanghai, the PRC

上海迪申建築裝潢有限公司 (Shanghai Deson Decoration Engineering Co., Ltd.*) ("**Shanghai Deson**"), a wholly-owned subsidiary of the Company as tenant, and 華勝國際置業開發（上海）有限公司 ("**華勝**"), a wholly-owned indirect subsidiary of DDIHL, as landlord, entered into a tenancy agreement dated 10 December 2014, for the rental of certain portion of 上海市徐匯區百色路206號天然居會所2樓 with an aggregate floor area of approximately 70 square metres ("**sq. m.**") The term of the tenancy is from 8 January 2015 to 31 March 2017, with a rental of RMB51,600 (equivalent to approximately HK$65,000) per year payable in advance. The annual rental fee payable by Shanghai Deson to 華勝 is not expected to exceed RMB51,600 (equivalent to approximately HK$65,000) for each of the financial years ended 31 March 2015 and 2016 and the financial year ending 31 March 2017.

The above continuing connected transactions fall under the de minimis provision set forth in Rule 20.74(1)(c) of the GEM Listing Rules and are therefore fully exempt from the reporting, announcement and independent shareholders' approval requirements.

NON-COMPETITION UNDERTAKING BY DDIHL

DDIHL entered into an 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.

DDIHL has confirmed to the Company of its compliance with the Agreement. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Agreement have been complied by DDIHL and duly enforced since 8 January 2015 (the "**Listing Date**") and up to the date of this annual report.

PARTICULARS OF PROPERTIES

The investment properties of the Group are as follows:

Location	Attributable interest of the Group	Group's Tenure	Current use	Lease term	Gross floor area
Unit 2–31 on Level 11 and carpark space no. B37 on basement 2 block D, Fu Hua Mansion, 8 Beida Street, Chaoyangmen, Dongcheng District, Beijing, The PRC	60%	The properties are held for a term expiring on 14 January 2044	Commercial	Long term	The total gross floor area is 267.77 sq. m.

* *For identification purpose only*

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public throughout the period from 1 April 2015 to 31 March 2016 and up to the date of this report.

PRE-EMPTIVE RIGHTS

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 August 2016 to 8 August 2016, both days inclusive. During this period, no transfer of Shares will be registered. In order to attend and vote at the annual general meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queens's Road East, Hong Kong not later than 4:30 p.m. on 3 August 2016.

AUDITORS

Ernst & Young will retire and, being eligible, offer themselves for reappointment. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting. There has been no change in the Company's auditors in any of the preceding three years.

Keung Kwok Cheung
Chief Executive Officer and Executive Director

Hong Kong, 21 June 2016

Independent Auditors' Report
To the shareholders of Deson Construction International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Deson Construction International Holdings Limited (the "Company") and its subsidiaries set out on pages 47 to 117, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

21 June 2016

Consolidated Statement of Profit or Loss

Year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	**812,470**	750,075
Cost of sales		**(765,653)**	(707,288)
Gross profit		**46,817**	42,787
Other income and gains	5	**2,475**	5,077
Fair value gain/(loss) on investment properties		**(420)**	875
Administrative expenses		**(32,989)**	(49,919)
Other operating income/(expenses), net		**(3,911)**	336
Finance costs	7	**(467)**	(492)
PROFIT/(LOSS) BEFORE TAX	6	**11,505**	(1,336)
Income tax credit/(expense)	10	**840**	(3,447)
PROFIT/(LOSS) FOR THE YEAR		**12,345**	(4,783)
Attributable to:			
Owners of the Company		**10,856**	(3,977)
Non-controlling interests		**1,489**	(806)
		12,345	(4,783)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		(Restated)
Basic		**HK1.09 cent**	HK(0.40) cent
Diluted		**HK1.09 cent**	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**12,345**	(4,783)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,248)**	(285)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Surplus/(deficit) on revaluation of leasehold land and buildings	13	**(757)**	9,411
Income tax effect	25	**125**	(1,553)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**(632)**	7,858
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(1,880)**	7,573
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,465**	2,790
Attributable to:			
Owners of the Company		**9,179**	3,647
Non-controlling interests		**1,286**	(857)
		10,465	2,790

Consolidated Statement of Financial Position

31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**17,634**	19,159
Investment properties	14	**10,860**	11,656
Total non-current assets		**28,494**	30,815
CURRENT ASSETS			
Gross amount due from contract customers	15	**30,011**	25,304
Due from related companies	23	**5,894**	6,196
Due from fellow subsidiaries	23	**27**	28
Accounts receivable	16	**100,878**	54,626
Prepayments, deposits and other receivables	17	**23,195**	13,467
Equity investments at fair value through profit or loss	18	**8,124**	—
Tax recoverable		**2,490**	—
Pledged deposits	19	**29,727**	29,674
Cash and cash equivalents	19	**39,068**	30,812
Total current assets		**239,414**	160,107
CURRENT LIABILITIES			
Gross amount due to contract customers	15	**114,914**	88,455
Accounts payable	20	**32,905**	18,994
Other payables and accruals	21	**47,857**	25,806
Amount due to a non-controlling shareholder	22	**1,500**	1,500
Amounts due to fellow subsidiaries	23	**14**	30
Tax payable		**535**	2,083
Interest-bearing bank borrowings	24	**31,510**	20,761
Total current liabilities		**229,235**	157,629
NET CURRENT ASSETS		**10,179**	2,478
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,673**	33,293
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**2,767**	5,035
Net assets		**35,906**	28,258

Consolidated Statement of Financial Position

31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**25,000**	20,000
Reserves	28	**4,654**	3,292
		29,654	23,292
Non-controlling interests		**6,252**	4,966
Total equity		**35,906**	28,258

Keung Kwok Cheung
Director

Kwok Koon Keung
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2016

		Attributable to owners of the Company										
	Notes	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$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2014		–	–	–	111,542	40,000	5,218	4,795	84,386	245,941	5,823	251,764
Loss for the year		–	–	–	–	–	–	–	(3,977)	(3,977)	(806)	(4,783)
Other comprehensive income/(loss) for the year:												
Surplus on revaluation of leasehold land and buildings, net of tax		–	–	–	7,858	–	–	–	–	7,858	–	7,858
Exchange differences on translation of foreign operations		–	–	–	–	–	(234)	–	–	(234)	(51)	(285)
Total comprehensive income/(loss) for the year		–	–	–	7,858	–	(234)	–	(3,977)	3,647	(857)	2,790
Release of revaluation reserve upon disposal of a leasehold land and building		–	–	–	(121,696)	–	–	–	121,696	–	–	–
Release of deferred tax liability upon disposal of a leasehold land and building		–	–	–	19,695	–	–	–	–	19,695	–	19,695
Release of revaluation reserve		–	–	–	(1,754)	–	–	–	1,754	–	–	–
Transfer to reserve		–	–	–	–	–	–	786	(786)	–	–	–
Issue of shares and the Reorganisation	26(ii)	17,500	–	(5,372)	–	(40,000)	–	–	–	(27,872)	–	(27,872)
Issue of shares by the Placing	26(iii)	2,500	16,750	–	–	–	–	–	–	19,250	–	19,250
Share issue expenses	26(iii)	–	(2,369)	–	–	–	–	–	–	(2,369)	–	(2,369)
Special interim 2015 dividends	11	–	–	–	–	–	–	–	(235,000)	(235,000)	–	(235,000)
At 31 March 2015		20,000	14,381*	(5,372)*	15,645*	–*	4,984*	5,581*	(31,927)*#	23,292	4,966	28,258

Retained profits/(accumulated losses) have been adjusted for the proposed final 2015 dividend in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2016

		Attributable to owners of the Company										
	Notes	Issued capital HK$'000	Share premium HK$'000	Contribution surplus HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2015		20,000	14,381	(5,372)	15,645	–	4,984	5,581	(31,927)	23,292	4,966	28,258
Profit for the year		–	–	–	–	–	–	–	10,856	10,856	1,489	12,345
Other comprehensive income/(loss) for the year:												
Deficit on revaluation of leasehold land and buildings, net of tax		–	–	–	(632)	–	–	–	–	(632)	–	(632)
Exchange differences on translation of foreign operations		–	–	–	–	–	(1,045)	–	–	(1,045)	(203)	(1,248)
Total comprehensive income/(loss) for the year		–	–	–	(632)	–	(1,045)	–	10,856	9,179	1,286	10,465
Issue of bonus shares		5,000	(5,000)	–	–	–	–	–	–	–	–	–
Release of revaluation reserve		–	–	–	(719)	–	–	–	719	–	–	–
Final 2015 dividend paid	11	–	–	–	–	–	–	–	(4,000)	(4,000)	–	(4,000)
Equity-settled share option arrangements	27	–	–	–	–	1,183	–	–	–	1,183	–	1,183
At 31 March 2016		25,000	9,381*	(5,372)*	14,294*	1,183*	3,939*	5,581*	(24,352)*	29,654	6,252	35,906

* These reserve accounts comprise the consolidated reserves of HK$4,654,000 (2015: HK$3,292,000) in the consolidated statement of financial position as at 31 March 2016.

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

Consolidated Statement of Cash Flows

Year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**11,505**	(1,336)
Adjustments for:			
Finance costs	7	**467**	492
Interest income	5	**(255)**	(299)
Gain on disposal of equity investments at fair value through profit or loss	5	**(70)**	—
Fair value loss/(gain) on investment properties	14	**420**	(875)
Loss on disposal of items of property, plant and equipment	6	**21**	309
Depreciation	6	**830**	2,675
Reversal of unclaimed liabilities	6	**—**	(2,460)
Reversal of impairment of other receivables	6	**—**	(625)
Fair value gain on equity investments at fair value through profit or loss	5	**(724)**	—
Impairment of accounts receivable	6	**3,903**	—
Equity-settled share option expense	6	**1,183**	—
		17,280	(2,119)
Increase in gross amount due from contract customers		**(4,591)**	(16,264)
(Increase)/decrease in accounts receivable		**(50,208)**	14,271
(Increase)/decrease in prepayments, deposits and other receivables		**(9,756)**	84
Increase in gross amount due to contract customers		**26,459**	610
Increase/(decrease) in accounts payable		**13,975**	(23,450)
Increase in other payables and accruals		**22,359**	3,291
Cash generated from/(used in) operations		**15,518**	(23,577)
Interest paid		**(1,394)**	(2,123)
Hong Kong tax paid		**(4,434)**	(800)
Overseas tax paid		**(828)**	(1,562)
Net cash flows from/(used in) operating activities		**8,862**	(28,062)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**255**	299
Purchase of equity investments at fair value through profit or loss		**(9,818)**	—
Proceeds from disposal of equity investments at fair value through profit or loss		**2,488**	—
Purchases of items of property, plant and equipment		**(98)**	(282)
Proceeds from disposal of items of property, plant and equipment		**10**	—
Increase in pledged deposits		**(53)**	(1,811)
Movement in balances with related companies, net		**302**	(1,081)
Net cash flows used in investing activities		**(6,914)**	(2,875)

Consolidated Statement of Cash Flows

Year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		—	31,370
Shares issue expenses		—	(2,369)
New bank borrowings		13,475	16,992
Repayment of bank borrowings		(17,109)	(38,172)
Dividend paid		(4,000)	—
Movement in balances with fellow subsidiaries		(15)	(18,872)
Net cash flows used in financing activities		(7,649)	(11,051)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,701)	(41,988)
Cash and cash equivalents at beginning of year		27,160	69,253
Effect of foreign exchange rate changes, net		(426)	(105)
CASH AND CASH EQUIVALENTS AT END OF YEAR		21,033	27,160
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	19	39,068	30,812
Bank overdrafts, secured	24	(18,035)	(3,652)
Cash and cash equivalents as stated in the statement of cash flows		21,033	27,160

1. CORPORATE AND GROUP 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 construction business, as a main contractor, fitting-out works, and as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau 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 ("**BVI**"), 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.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Chang-de Architectural Decoration Co., Ltd ("Beijing Chang-de") (a)*	PRC/Mainland China	Renminbi ("RMB") 16,000,000	N/A	–	60	Decoration engineering
Deson Development Limited	Hong Kong	HK$20,000,100 HK$20,000,000	Class A (i) Class B (i)	– –	100 100	Construction contracting and investment holding
Colton Ventures Limited*	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson Construction Engineering Limited*	BVI/Hong Kong	US$10,000	Ordinary	–	85.7	Investment holding
Deson Engineering Limited	Hong Kong	HK$10,000	Ordinary	–	100	Decoration engineering
Deson Industries Limited*	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson (Macau) Construction Limited*	Macau	MOP30,000	Ordinary	–	100	Decoration engineering
Foregrand Holdings Inc.*	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Grace Profit Investments Limited*	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Kenworth Group Limited*	BVI/ Hong Kong	US$3	Ordinary	–	100	Investment holding
Kenworth Engineering Limited	Hong Kong	HK$54,374,140 HK$20,000,000	Ordinary Preference (ii)	– –	100 100	Provision of electrical and mechanical engineering services
Latest Ventures Limited*	BVI/Hong Kong	US$1,000	Ordinary	100	–	Investment holding
上海迪申建築裝潢有限公司 (b)*	PRC/Mainland China	US$900,000	N/A	–	100	Decoration engineering

(a) Registered as a Sino-foreign investment enterprise under PRC law.

(b) Registered as a wholly-foreign-owned enterprise under PRC law.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Notes:

(i) The holders of class A shares have voting rights and are entitled to dividend distributions. Upon the winding-up of this company, the class A shareholders are entitled to return of assets. The holders of non-voting class B shares are not entitled to dividend distributions. Moreover, upon the winding-up of this company, the class B shareholders are not entitled to any return of assets if the assets of the Company are less than HK$100 trillion.

(ii) The holders of the preference shares have a cumulative preferential right to the company's profits at 10% of the nominal amount of its share capital, but are not entitled to receive notice of or attend or vote at any meeting of members or any meeting of directors.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (continued)

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment property during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Growth Enterprises Market ("**GEM**") Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[5]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption
5 Effective for annual periods beginning on or after 1 January 2019

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 April 2016.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 April 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its leasehold land and buildings classified as property, plant and equipment and investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the property revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis or reducing balance basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	15% on the reducing balance basis
Office equipment	15% on the reducing balance basis
Tools and equipment	15% on the reducing balance basis
Motor vehicles	15% on the reducing balance basis

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, other payables and certain accruals, amounts due to a non-controlling shareholder and fellow subsidiaries and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) management fee income, when the services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured either by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Trinomial Option Pricing Model, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a defined contribution retirement benefit scheme (the "**ORSO Scheme**") under the Occupational Retirement Schemes Ordinance, for those employees who were eligible to participate. The ORSO Scheme operated in a similar way to the MPF Scheme, except that when an employee left the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited contributions. With effect from 1 December 2000, the Group has operated both schemes and those employees who are not eligible to participate in the ORSO Scheme are eligible to participate in the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 March 2016 was HK$10,860,000 (2015: HK$11,656,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Estimates regarding the realisability of deferred tax assets

Estimating the amount for deferred tax assets arising from tax losses requires a process that involves determining appropriate provisions for taxation, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future taxable profits. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of the unrecognised tax losses of the Group are set out in note 25 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

Impairment of accounts receivable

Impairment of accounts receivable is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

4. OPERATING SEGMENT INFORMATION

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

(a) Revenue from external customers

	2016 **HK$'000**	2015 HK$'000
Hong Kong	**544,723**	583,618
Mainland China	**248,219**	164,299
Macau	**19,528**	2,158
	812,470	750,075

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

(b) Non-current assets

	2016 HK$'000	2015 HK$'000
Hong Kong	**17,550**	19,034
Mainland China	**10,944**	11,781
	28,494	30,815

The non-current assets information above is based on the locations of the assets.

Information about a major customer

During the year, revenue of approximately HK$125,000,000 (2015: HK$191,203,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate proportion of contract revenue from construction contracting and related business.

An analysis of the Group's revenue, other income and gains is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Income from construction contracting and related business	**812,470**	750,075
Other income and gains		
Bank interest income	**255**	299
Management fee income	**—**	213
Gross rental income	**484**	879
Fair value gain on equity investments at fair value through profit or loss	**724**	—
Gain on disposal of equity investments at fair value through profit or loss	**70**	—
Others	**942**	3,686
	2,475	5,077

6. PROFIT/(LOSS) BEFORE TAX

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

	2016 HK$'000	2015 HK$'000
Cost of construction contracting	**765,653**	707,288
Auditors' remuneration	**1,160**	2,110
Depreciation (note 13)	**830**	2,675
Minimum lease payments under operating leases on land and buildings	**2,572**	1,508
Loss on disposal of items of property, plant and equipment^	**21**	309
Rental income on investment properties	**(484)**	(675)
Less: outgoings	**34**	35
Net rental income	**(450)**	(640)
Employee benefit expense (including directors' remuneration — note 8):		
Wages and salaries	**29,551**	32,771
Equity-settled share option expense (note 27)	**1,183**	—
Pension scheme contributions*	**831**	1,019
Less: Amount capitalised	**(12,909)**	(10,759)
	18,656	23,031
Listing and related expenses (2015: including HK$1,000,000 included in "Auditors' remuneration" above)	**—**	12,621
Foreign exchange differences, net^	**(13)**	(20)
Impairment of accounts receivable (note 16)^	**3,903**	—
Reversal of unclaimed liabilities	**—**	(2,460)
Reversal of impairment of other receivables (note 17)^	**—**	(625)

* At 31 March 2016, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2015: Nil).

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK$'000	2015 HK$'000
Interest on bank and other borrowings	**1,394**	2,123
Less: Interest capitalised	**(927)**	(1,631)
	467	492

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance, is as follows:

	2016 HK$'000	2015 HK$'000
Fees	**514**	140
Other emoluments:		
Salaries, bonuses and allowances	**3,758**	4,155
Equity-settled share option expense	**712**	—
Pension scheme contributions	**109**	101
	5,093	4,396

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Non-executive director and independent non-executive directors

	Fees	Salaries, bonuses and allowance	Equity-settled share option expense	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2016				
Independent non-executive directors:				
Mr. Lee Tho Siem	**120**	**—**	**66**	**186**
Mr. Cheung Ting Kee	**120**	**—**	**66**	**186**
Mr. Ong King Keung ("**Mr. Ong**")#	**90**	**—**	**—**	**90**
Mr. Chan Ka Yin	**34**	**—**	**—**	**34**
	364	**—**	**132**	**496**
Non-executive directors:				
Mr. Tjia Boen Sien	**120**	**—**	**—**	**120**
Mr. Ong#	**30**	**—**	**66**	**96**
	514	**—**	**198**	**712**
2015				
Independent non-executive directors:				
Mr. Lee Tho Siem	35	—	—	35
Mr. Cheung Ting Kee	35	—	—	35
Mr. Ong#	35	—	—	35
	105	—	—	105
Non-executive director:				
Mr. Tjia Boen Sien	35	331	—	366
	140	331	—	471

\# Mr. Ong resigned as an independent non-executive director of the Company on 21 December 2015 and was redesignated as a non-executive director of the Company on the same date.

There were no other emoluments payable to the non-executive directors and independent non-executive directors during the year (2015: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and chief executive

	Salaries, bonuses and allowances HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2016				
Mr. Keung Kwok Cheung ("**Mr. Keung**")*	**1,581**	**70**	**158**	**1,809**
Mr. Kwok Koon Keung	**999**	**18**	**145**	**1,162**
Mr. Lo Wing Ling	**1,094**	**18**	**145**	**1,257**
Mr. Ong Chi King	**84**	**3**	**66**	**153**
	3,758	**109**	**514**	**4,381**
2015				
Mr. Keung*	1,746	65	—	1,811
Mr. Kwok Koon Keung	1,068	18	—	1,086
Mr. Lo Wing Ling	1,010	18	—	1,028
	3,824	101	—	3,925

* Mr. Keung is also the chief executive of the Group as defined in the GEM Listing Rules.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT

The five highest paid employees during the year included three (2015: three) directors (including the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2015: two) non-director, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, bonuses and allowances	**2,030**	2,069
Pension scheme contributions	**86**	78
Equity-settled share option expense	**132**	—
	2,248	2,147

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**1**	2
	2	2

Other than the directors' remuneration and five highest paid employees disclosed above, the amounts paid to the senior management as disclosed in the ''biographical details of directors and senior management" section were as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and allowances	**1,357**	1,882
Pension schemes contributions	**36**	46
Equity-settled share option expense	**223**	—
	1,616	1,928

10. INCOME TAX

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

	2016 **HK$'000**	2015 HK$'000
Current — Hong Kong		
Charge for the year	**—**	2,144
Under/(over)provision in prior years	**369**	(32)
Current — Elsewhere		
Charge for the year	**872**	916
Underprovision in prior years	**—**	194
Deferred (note 25)	**(2,081)**	225
Total tax charge/(credit) for the year	**(840)**	3,447

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2016 **HK$'000**	2015 HK$'000
Profit/(loss) before tax	**11,505**	(1,336)
Tax at the applicable statutory tax rates	**2,249**	(431)
Adjustments in respect of current tax of previous periods	**369**	162
Income not subject to tax	**(77)**	(175)
Expenses not deductible for tax	**542**	2,752
Tax losses utilised from previous periods	**(1,861)**	(195)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**38**	299
Tax losses and temporary differences not recognised	**(2,113)**	1,069
Others	**13**	(34)
Tax charge at the Group's effective rate of –7.3% (2015: 258%)	**(840)**	3,447

11. DIVIDENDS

	2016 HK$'000	2015 HK$'000
First special interim (note (a))	–	200,000
Second special interim (note (b))	–	35,000
Proposed final — Nil (2015: HK0.5 cent per Subdivided Share) (note (c))	–	4,000
	–	239,000

Notes:

(a) In the prior year, on 4 December 2014, a subsidiary of the Group declared and paid a dividend of HK$200,000,000 to the former immediate holding company (before the Reorganisation) pursuant to the Reorganisation as set out in note 26(ii) to the financial statements.

(b) In the prior year, on 16 December 2014, the Company declared and paid a dividend of HK$35,000,000 to the former immediate holding company (before the Reorganisation) pursuant to the Reorganisation as set out in note 26(ii) to the financial statements.

(c) On 8 May 2015, the board of directors of the Company proposed a 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 ("**Subdivided Share(s)**"). 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 ("**Share Subdivision**").

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 March 2016 (2015: HK0.5 cent per share).

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (2015 (restated): 1,000,000,000) in issue during the year, after taking into account (i) the subdivision of shares which was effective from 4 June 2015 and as if the subdivision of shares had been effective since 1 April 2014; (ii) the issue of bonus shares by the Company 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 appeared on the register of members on 25 September 2015. The number of shares before the issue of bonus shares was restated as if they had been effective since 1 April 2014.

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

The calculation of diluted earnings per share amount for the year ended 31 March 2016 is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,000,000,000**	1,000,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**20,502**	—
	1,000,020,502	1,000,000,000

No adjustment has been made to the basic loss per share amount presented for year ended 31 March 2015 in respect of a dilution as the Group had no potential dilutive ordinary share in issue during that year.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2016							
At 31 March 2015 and at 1 April 2015:							
Cost or valuation	17,200	1,120	2,218	1,792	1,484	2,811	26,625
Accumulated depreciation	—	(1,039)	(2,008)	(1,238)	(1,440)	(1,741)	(7,466)
Net carrying amount	17,200	81	210	554	44	1,070	19,159
At 1 April 2015, net of accumulated depreciation	17,200	81	210	554	44	1,070	19,159
Additions	—	—	—	64	3	31	98
Disposals	—	—	—	—	—	(31)	(31)
Deficit on revaluation	(757)	—	—	—	—	—	(757)
Depreciation provided during the year	(443)	—	(41)	(178)	(16)	(152)	(830)
Exchange realignment	—	—	—	(2)	—	(3)	(5)
At 31 March 2016	16,000	81	169	438	31	915	17,634
At 31 March 2016:							
Cost or valuation	16,000	1,120	1,505	1,827	1,487	2,786	24,725
Accumulated depreciation	—	(1,039)	(1,336)	(1,389)	(1,456)	(1,871)	(7,091)
Net carrying amount	16,000	81	169	438	31	915	17,634

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2015							
At 1 April 2014:							
Cost or valuation	141,400	1,016	2,218	3,926	2,003	6,023	156,586
Accumulated depreciation	—	(1,016)	(1,957)	(3,301)	(1,942)	(4,520)	(12,736)
Net carrying amount	141,400	—	261	625	61	1,503	143,850
At 1 April 2014, net of accumulated depreciation	141,400	—	261	625	61	1,503	143,850
Additions	—	104	—	134	2	42	282
Disposals	(131,400)	—	(2)	(74)	(4)	(229)	(131,709)
Surplus on revaluation	9,411	—	—	—	—	—	9,411
Depreciation provided during the year	(2,211)	(23)	(49)	(131)	(15)	(246)	(2,675)
At 31 March 2015	17,200	81	210	554	44	1,070	19,159
At 31 March 2015:							
Cost or valuation	17,200	1,120	2,218	1,792	1,484	2,811	26,625
Accumulated depreciation	—	(1,039)	(2,008)	(1,238)	(1,440)	(1,741)	(7,466)
Net carrying amount	17,200	81	210	554	44	1,070	19,159

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Peak Vision Appraisals Limited, independent professionally qualified valuers, at an aggregate open market value of HK$16,000,000 (2015: HK$17,200,000) based on their existing use.

A revaluation deficit of HK$757,000 (2015: revaluation surplus of HK$9,411,000) resulting from the revaluation has been debited (2015: credited) to other comprehensive income.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$1,589,000 (2015: HK$1,642,000).

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 March 2016, leasehold land and buildings of the Group with an aggregate carrying amount of HK$16,000,000 (2015: HK$17,200,000) were pledged to secure certain banking facilities granted to the Group (note 24).

Each year, the Group appoints external valuers to be responsible for the external valuations of the Group's properties and has discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's properties held for own use:

	Fair value measurement as at 31 March 2016 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Office premises and warehouse	**—**	**—**	**16,000**	**16,000**

	Fair value measurement as at 31 March 2015 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Office premises and warehouse	—	—	17,200	17,200

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2016 **HK$'000**	2015 HK$'000
Carrying amount at 1 April	**17,200**	141,400
Depreciation	**(443)**	(2,211)
Disposal	**–**	(131,400)
Surplus/(deficit) on revaluation recognised in other comprehensive income	**(757)**	9,411
Carrying amount at 31 March	**16,000**	17,200

Below is a summary of the valuation techniques used and the key inputs to the valuation of properties held for own use:

	Valuation technique	**Significant unobservable input**	**Range (weighted average)** **2016**	2015
Office premises and warehouse	Direct comparison approach	Market unit sale price (per square foot)	**HK$3,220**	HK$3,450

The direct comparison approach

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristic of the properties, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per square foot.

The key input was the market price per square foot, which a significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the properties.

14. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	HK$'000
Carrying amount at 1 April	**11,656**	10,875
Net gain/(loss) from fair value adjustment	**(420)**	875
Exchange realignment	**(376)**	(94)
Carrying amount at 31 March	**10,860**	11,656

The Group's investment properties were revalued on 31 March 2016 based on valuations performed by Peak Vision Appraisals Limited, independent professionally qualified valuers, at HK$10,860,000 (2015: HK$11,656,000).

As at 31 March 2016, investment properties of the Group with a carrying amount of HK$10,860,000 (2015: HK$11,656,000) were leased to independent third parties.

The directors of the Company have determined that the investment properties are commercial properties, based on the nature, characteristics and risk of the properties. Each year, the Group appoints external valuers to be responsible for the external valuations of the Group's properties and has discussions with the valuers on the valuation assumptions and valuation results when the valuation was performed for annual financial reporting.

Particulars of the Group's investment properties are included on page 43.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 March 2016 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties and a car park space	**–**	**–**	**10,860**	**10,860**

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

	Fair value measurement as at 31 March 2015 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties and a car park space	—	—	11,656	11,656

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 April	**11,656**	10,875
Net gain/(loss) from a fair value adjustment recognised in the statement of profit or loss	**(420)**	875
Exchange realignment	**(376)**	(94)
Carrying amount at 31 March	**10,860**	11,656

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	**Significant unobservable inputs**	**Range (weighted average)**	
			2016	2015
Commercial properties	Direct comparison approach	Market unit selling price (per square foot)	**RMB34,600**	N/A
	Investment method	Estimated rental value (per square metre and per month)	**N/A**	RMB195
		Term yield	**N/A**	6.25%
		Reversionary yield	**N/A**	6.50%
Car park space	Direct comparison approach	Market unit selling price	**RMB350,000**	RMB350,000

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

The investment method

Under the investment method, fair value is estimated on the basis of capitalisation of existing rent receivable from the existing tenancies and the potential reversionary market rent of the properties.

The valuation takes into account the estimated rental value per square metre, term value and reversionary value. Term value is determined by term yield and rental value generated from the existing lease term. And the reversionary value determined by the estimated market rental value with reference to the characteristics of the investment properties, which included location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the reversionary yield.

The key input was the estimated rental value per square metre, which a significant increase/(decrease) in rental value per square metre would result in a significant increase/(decrease) in the fair value of the investment properties.

The direct comparison approach

Under the direct comparison approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristic of the properties held for own use, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

The key input was the market price, which a significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the properties held for own use.

15. CONSTRUCTION CONTRACTS

	2016 **HK$'000**	2015 HK$'000
Gross amount due from contract customers	**30,011**	25,304
Gross amount due to contract customers	**(114,914)**	(88,455)
	(84,903)	(63,151)
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	**3,287,731**	3,102,789
Less: Progress billings	**(3,372,634)**	(3,165,940)
	(84,903)	(63,151)

16. ACCOUNTS RECEIVABLE

	2016 HK$'000	2015 HK$'000
Accounts receivable	**66,504**	44,743
Impairment	**(8,276)**	(4,373)
	58,228	40,370
Retention monies receivable	**42,650**	14,256
	100,878	54,626

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 accounts 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:

	2016 HK$'000	2015 HK$'000
Current to 90 days	**51,631**	35,941
91 to 180 days	**4,548**	2,191
181 to 360 days	**403**	1,172
Over 360 days	**1,646**	1,066
	58,228	40,370
Retention monies receivable	**42,650**	14,256
Total	**100,878**	54,626

There movements in the provision for impairment of accounts receivable are as follows:

	2016 HK$'000	2015 HK$'000
At 1 April	**4,373**	4,373
Impairment loss recognised (note 6)	**3,903**	—
At 31 March	**8,276**	4,373

16. ACCOUNTS RECEIVABLE (CONTINUED)

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable as at 31 March 2016 of HK$8,276,000 (2015: HK$4,373,000) with a carrying amount before provision of HK$8,276,000 (2015: HK$4,373,000). The individually impaired accounts receivable relate to customers that were in financial difficulties or the customers that were in default in repayments and the receivables were not expected to be recovered.

The aged analysis of the accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**51,631**	35,941
Less than 3 months past due	**4,951**	3,363
3 to 6 months past due	**—**	—
More than 6 months past due	**1,646**	1,066
	58,228	40,370

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

None of the retention monies receivable is either past due or impaired.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepayments	**583**	582
Deposits	**1,659**	1,659
	2,242	2,241
Other receivables	**24,591**	14,878
Impairment	**(3,638)**	(3,652)
	20,953	11,226
	23,195	13,467

Except for other receivables against which impairment has been made, the remaining assets are neither past due nor impaired. The financial assets included in the above net balances relate to receivables for which there was no recent history of default.

The movements in the provision for impairment of other receivables are as follows:

	2016 HK$'000	2015 HK$'000
At 1 April	**3,652**	4,287
Impairment losses reversed (note 6)	**—**	(625)
Exchange realignment	**(14)**	(10)
At 31 March	**3,638**	3,652

Included in the above provision for impairment of other receivables is a provision for individual other receivables that defaulted in repayments and these receivables were not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed equity investments, at market value	**8,124**	—

The above equity investments at 31 March 2016 (2015: Nil) were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**49,668**	41,412
Time deposits	**19,127**	19,074
	68,795	60,486
Less: Pledged deposits for banking facilities (note 24)	**(29,727)**	(29,674)
Cash and cash equivalents	**39,068**	30,812

At 31 March 2016, the aggregate cash and bank balances and deposits of the Group denominated in RMB amounted to HK$13,391,000 (2015: HK$13,203,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

20. 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:

	2016 HK$'000	2015 HK$'000
Current to 90 days	**30,144**	13,536
91 to 180 days	**1,082**	1,562
Over 360 days	**1,679**	3,896
	32,905	18,994

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

21. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables	**42,334**	22,250
Deposits received	**—**	529
Accruals	**5,523**	3,027
	47,857	25,806

Other payables are non-interest-bearing and repayable on demand or within one year.

22. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount due to a non-controlling shareholder is unsecured, interest-free and repayable on demand.

23. BALANCES WITH RELATED COMPANIES AND FELLOW SUBSIDIARIES

All the balances with related companies and fellow subsidiaries are unsecured, interest-free and repayable on demand.

The particulars of an amount due from a related company, Excel Win Limited ("**Excel Win**"), are as follows:

Name	**31 March 2016 HK$'000**	**Maximum amount outstanding during the year HK$'000**	1 April 2015 HK$'000
Excel Win	**1,413**	1,715	1,715

Note: Mr. Tjia Boen Sien is a director and has beneficial interests in the Group and Excel Win.

24. INTEREST-BEARING BANK BORROWINGS

	2016			2015		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans — secured	**–**	**–**	**–**	3.75	2015	117
Bank overdrafts — secured	**Prime rate (note) + 0.75**	**–**	**18,035**	Prime rate (note) + 0.75	–	3,652
Trust receipt loans — secured	**Prime rate (note) + 0.875**	**2016 to 2017**	**13,475**	Prime rate (note) + 0.875	2015 to 2016	16,992
			31,510			20,761

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans, overdrafts and trust receipt loans repayable within one year or on demand	**31,510**	20,761

Note: The rate represents the prevailing prime lending rates used by the respective banks in Hong Kong.

The carrying amounts of these bank borrowings approximate to their fair values as at the end of the reporting period. The fair value of bank borrowings has been calculated by discounting the expected future cash flows at the prevailing interest rates.

All borrowings are in Hong Kong dollars.

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$16,000,000 (2015: HK$17,200,000) (note 13); and

(ii) the pledge of the Group's time deposits of HK$29,727,000 (2015: HK$29,674,000) (note 19).

25. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	2016			
	Decelerated tax depreciation HK$'000	**Revaluation of properties HK$'000**	**Withholding taxes HK$'000**	**Total HK$'000**
At 31 March 2015 and 1 April 2015	**(54)**	**4,790**	**299**	**5,035**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**(2,014)**	**(105)**	**38**	**(2,081)**
Deferred tax credited to the statement of other comprehensive income during the year	**—**	**(125)**	**—**	**(125)**
Exchange realignment	**—**	**(62)**	**—**	**(62)**
Deferred tax liabilities at 31 March 2016	**(2,068)**	**4,498**	**337**	**2,767**

	2015			
	Accelerated/ (decelerated) tax depreciation HK$'000	Revaluation of properties HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 April 2014	239	22,729	—	22,968
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(293)	219	299	225
Deferred tax charged to the statement of other comprehensive income during the year	—	1,553	—	1,553
Release of deferred tax liability upon disposal of a leasehold land and building	—	(19,695)	—	(19,695)
Exchange realignment	—	(16)	—	(16)
Deferred tax liabilities at 31 March 2015	(54)	4,790	299	5,035

25. DEFERRED TAX (CONTINUED)

The Group has estimated tax losses arising in Hong Kong of HK$511,882,000 (2015: HK$522,037,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. As at 31 March 2016, the Group did not have tax losses arising in Mainland China (2015: HK$2,007,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries with uncertain future operating profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China.

The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. SHARE CAPITAL

Shares

	2016 **HK$'000**	2015 HK$'000
Authorised: 4,000,000,000 (2015: 2,000,000,000) ordinary shares of HK$0.025 (2015: HK$0.05) each	**100,000**	100,000
Issued and fully paid: 1,000,000,000 (2015: 400,000,000) ordinary shares of HK$0.025 (2015: HK$0.05) each	**25,000**	20,000

26. SHARE CAPITAL (CONTINUED)

Shares (continued)

A summary of the transactions during the current and prior years with reference to the movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
On incorporation	(i)	1	—	—	—
Subdivision of shares	(ii)	1	—	—	—
Allotment of shares	(ii)	349,999,998	17,500	—	17,500
Placing of shares	(iii)	50,000,000	2,500	16,750	19,250
Share issue expenses	(iii)	—	—	(2,369)	(2,369)
At 31 March 2015 and 1 April 2015		400,000,000	20,000	14,381	34,381
Subdivision of shares	(iv)	400,000,000	—	—	—
Issue of bonus shares	(v)	200,000,000	5,000	(5,000)	—
At 31 March 2016		1,000,000,000	25,000	9,381	34,381

Notes:

(i) The Company was incorporated on 18 July 2014 with an initial authorised share capital of HK$390,000 divided into 3,900,000 shares of a par value of HK$0.1 each. On the date of incorporation, 1 ordinary share of HK$0.1 was issued and allotted by the Company to its then shareholder.

(ii) Pursuant to the reorganisation (the "**Reorganisation**") of the Company in connection with the listing of the shares of the Company on the GEM of the Stock Exchange, on 16 December 2014, written resolution of the then sole shareholder of the Company was passed pursuant to which (a) the Company underwent a subdivision of shares whereby each of the existing issued and unissued ordinary share of par value HK$0.10 was subdivided into two ordinary shares of par value HK$0.05 each, such that after the subdivision, the authorised share capital of the Company became HK$0.10 divided into two shares of par value HK$0.05 each; (b) the authorised share capital of the Company was increased from HK$390,000 divided into 7,800,000 shares of par value HK$0.05 to the aggregate of HK$100,000,000 divided into 2,000,000,000 shares of par value HK$0.05 each by creation of 1,992,200,000 ordinary shares of HK$0.05 each; and (c) the allotment of 315,349,998 ordinary shares of HK$0.05 each to DDHL, the immediate holding company of the Company, and 34,650,000 ordinary shares of HK$0.05 each to Huge Energy Holdings Limited as a result of the Reorganisation.

(iii) 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 proceeds from the placing received by the Company were HK$19,250,000 (before share issue expenses of HK$2,369,000), representing the par value of the shares of the Company of HK$2,500,000 which were credited to the Company's share capital and the remaining proceeds of HK$16,750,000 (before share issue expenses of HK$2,369,000), which were credited to the Company's share premium account.

26. SHARE CAPITAL (CONTINUED)

Shares (continued)

Notes: (continued)

(iv) On 23 April 2015, the board of directors of the Company proposed the subdivision of shares 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 Shares"), 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 subdivision of shares 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.

(v) 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 issue of bonus shares 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.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the financial statements.

27. SHARE OPTION SCHEME

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

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company 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.

27. SHARE OPTION SCHEME (CONTINUED)

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.

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

	Weighted average exercise price HK$	Number of options '000	Exercise price* HK$	Exercise period
At 1 April	—	—		
Granted during the year	0.18	18,000		
At 31 March		18,000	0.28	3 February 2016 to 2 February 2019

No share options were exercised for both years.

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

27. SHARE OPTION SCHEME (CONTINUED)

The fair value of the share options granted during the year was HK$1,183,000 (HK$0.0657 each) (2015: Nil), of which the Group recognised a share option expense of HK$1,183,000 (2015: Nil) (note 6) during the year ended 31 March 2016.

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

	2016
Dividend yield (%)	0.784
Expected volatility (%)	43.458
Historical volatility (%)	N/A
Risk-free interest rate (%)	0.969
Expected life of options (year)	3
Weighted average share price (HK$ per share)	0.0657

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

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

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

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on pages 51 to 52 of the financial statements.

29. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2016	2015
Percentage of equity interest held by non-controlling interests:		
Beijing Chang-de	**40%**	40%

	2016 **HK$'000**	2015 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Beijing Chang-de	**1,491**	(803)
Accumulated balances of non-controlling interests at the reporting dates:		
Beijing Chang-de	**7,571**	6,282

The following tables illustrate the summarised unaudited financial information of Beijing Chang-de. The amounts disclosed are before any inter-company eliminations:

	2016 **HK$'000**	2015 HK$'000
Revenue	**234,194**	142,874
Total expenses	**230,465**	(144,881)
Profit/(loss) for the year	**3,729**	(2,007)
Total comprehensive income/(loss) for the year	**3,222**	(2,134)
Current assets	**14,157**	15,785
Non-current assets	**10,930**	11,772
Current liabilities	**(4,394)**	(9,919)
Non-current liabilities	**(1,764)**	(1,932)
Net cash flows from/(used in) operating activities	**(1,222)**	4,849
Net cash flows from investing activities	**690**	39
Net increase/(decrease) in cash and cash equivalents	**(532)**	4,888

30. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessor

The Group leased its investment properties under an operating lease arrangement, with the lease negotiated for term of one year. The terms of the lease generally also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

In prior year, as at 31 March 2015, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**–**	529

No contingent rental receivable was recognised by the Group during the year (2015: Nil).

(b) The Group as lessee

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

	2016	2015
	HK$'000	HK$'000
Within one year	**2,542**	2,532
In the second to fifth years, inclusive	**1,517**	4,055
	4,059	6,587

31. RELATED PARTY TRANSACTIONS

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

	Notes	**2016** **HK$'000**	2015 HK$'000
Management fees received from fellow subsidiaries	(i)	**43**	181
Management fee received from a related company	(i)	**–**	32
Rental income from related companies	(ii)	**–**	204
Rental expenses paid to fellow subsidiaries	(iii)	**1,792**	635

Notes:

(i) The management fees received were charged by reference to actual costs incurred for the services provided by the Group.

(ii) In the prior year, rental income was charged to Fitness Concept Limited ("**FCL**") at HK$25,500 per month. Mr. Tjia Boen Sien is a director of and has beneficial interests in the Company and FCL while Mr. Keung Kwok Cheung is a director of the Company and FCL. The lease agreement was terminated on 21 November 2014 upon the disposal of the Group's leasehold land and building to a fellow subsidiary of the Group pursuant to the Reorganisation.

(iii) Rental expenses were charged by the Group's fellow subsidiaries, Grand On Enterprise Limited and Hua Sheng International Real Estate Development (Shanghai) Co., Ltd., at HK$143,000 and RMB4,300 per month, respectively.

(b) Outstanding balances with related parties:

(i) Details of the Group's balance with its non-controlling shareholder as at the end of the reporting period are included in note 22 to the financial statements; and

(ii) Details of the Group's balances with its related companies and fellow subsidiaries as at the end of the reporting period are included in note 23 to the financial statements.

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

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 8 to the financial statements.

The related party transactions in respect of items (a)(i), (ii) and (iii) above also constitute continuing connected transactions and connected transactions as defined in Chapter 20 of the GEM Listing Rules.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial asset at fair value through profit or loss	
	2016	2015
	HK$'000	HK$'000
Equity investments at fair value through profit or loss (note 18)	**8,124**	—

	Loans and receivables	
	2016	2015
	HK$'000	HK$'000
Due from related companies	**5,894**	6,196
Due from fellow subsidiaries	**27**	28
Accounts receivable	**100,878**	54,626
Financial assets included in prepayments, deposits and other receivables (note 17)	**22,612**	12,885
Pledged deposits	**29,727**	29,674
Cash and cash equivalents	**39,068**	30,812
	198,206	134,221

Financial liabilities

	Financial liabilities at amortised cost	
	2016	2015
	HK$'000	HK$'000
Accounts payable	**32,905**	18,994
Financial liabilities included in other payables and accruals	**45,842**	23,823
Amount due to a non-controlling shareholder	**1,500**	1,500
Amounts due to fellow subsidiaries	**14**	30
Interest-bearing bank borrowings	**31,510**	20,761
	111,771	65,108

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Equity investments at fair value through profit or loss (note 18)	**8,124**	—	**8,124**	—

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, accounts receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings 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.

The fair value of listed equity investments is based on quoted market price and the fair values of certain interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group did not have any financial assets measured at fair value as at 31 March 2015.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2016

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

The Group did not have any financial assets measured at fair value as at 31 March 2015.

The Group did not have any financial liabilities measured at fair value as at 31 March 2016 and 31 March 2015.

During the year, 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 (2015: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, balances with a non-controlling shareholder, related companies and fellow subsidiaries, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as equity investments at fair value through profit or loss, accounts receivable, accounts payable, deposits and other receivables, and other payables and certain accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates in Hong Kong.

The interest rates and terms of repayment of interest-bearing bank borrowings are disclosed in note 24 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans and overdrafts, cash and bank balances, and short term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expense are charged to the consolidated statement of profit or loss as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's results before tax and equity (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000	**Increase/ (decrease) in equity*** HK$'000
2016			
Hong Kong dollar	**100**	**(286)**	**—**
Hong Kong dollar	**(100)**	**286**	**—**

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2015			
Hong Kong dollar	100	455	—
Hong Kong dollar	(100)	(455)	—

* Excluding retained profits

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The monetary assets and transactions of certain subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's results before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	HK$'000	HK$'000
2016			
If Hong Kong dollar weakens against RMB	**5**	**544**	**—**
If Hong Kong dollar strengthens against RMB	**(5)**	**(544)**	**—**

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity*
	%	HK$'000	HK$'000
2015			
If Hong Kong dollar weakens against RMB	5	(195)	—
If Hong Kong dollar strengthens against RMB	(5)	195	—

* Excluding retained profits

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise amounts due from related companies and fellow subsidiaries, deposits and other receivables, cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and deposits and other receivables are disclosed in notes 16 and 17 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and other interest-bearing borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against that of its financial assets, and the maintenance of a current ratio, defined as current assets over current liabilities, at above one so as to enhance a stable liquidity.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2016		
	On demand HK$'000	**Less than 12 months HK$'000**	**Total HK$'000**
Accounts payable	**—**	**32,905**	**32,905**
Financial liabilities included in other payables and accruals	**45,842**	**—**	**45,842**
Amount due to a non-controlling shareholder	**1,500**	**—**	**1,500**
Amounts due to fellow subsidiaries	**14**	**—**	**14**
Interest-bearing bank borrowings	**18,035**	**13,661**	**31,696**
	65,391	**46,566**	**111,957**

	2015		
	On demand HK$'000	Less than 12 months HK$'000	Total HK$'000
Accounts payable	—	18,994	18,994
Financial liabilities included in other payables and accruals	23,823	—	23,823
Amount due to a non-controlling shareholder	1,500	—	1,500
Amounts due to fellow subsidiaries	30	—	30
Interest-bearing bank borrowings	3,652	17,109	20,761
	29,005	36,103	65,108

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, other payables and accruals, amounts due to a non-controlling shareholder and fellow subsidiaries, and interest-bearing bank borrowings, less pledged deposits, and cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2016 **HK$'000**	2015 HK$'000
Accounts payable	**32,905**	18,994
Other payables and accruals	**47,857**	25,806
Amount due to a non-controlling shareholder	**1,500**	1,500
Amounts due to fellow subsidiaries	**14**	30
Interest-bearing bank borrowings	**31,510**	20,761
Less: Pledged deposits	**(29,727)**	(29,674)
Less: Cash and cash equivalents	**(39,068)**	(30,812)
Net debt	**44,991**	6,605
Total capital	**29,654**	23,292
Total capital and net debt	**74,645**	29,897
Gearing ratio	**60%**	22%

35. EVENT AFTER THE REPORTING PERIOD

On 29 March 2016, the Company entered into a placing agreement with Koala Securities Limited (the "**Placing Agent**") pursuant to which the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, certain convertible bonds (the "**Convertible Bonds**") with principal amounts aggregating up to HK$30,900,000 to not less than six placees at an initial conversion price of HK$0.30 per conversion share (the "**Placing**").

On 18 April 2016, the Convertible Bonds in the aggregate principal amount of HK$30,900,000 were successfully placed to six placees. The net proceeds from the Placing are approximately HK$29,720,000. The Placing has had no financial impact on the Group in the current year.

36. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been reclassified to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 **HK$'000**	2015 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**34,648**	39,376
CURRENT ASSET		
Cash and cash equivalents	**39**	8
CURRENT LIABILITY		
Accruals	**660**	353
NET CURRENT LIABILITIES	**(621)**	(345)
Net assets	**34,027**	39,031
EQUITY		
Issued capital	**25,000**	20,000
Reserves (note)	**9,027**	19,031
Total equity	**34,027**	39,031

Keung Kwok Cheung
Director

Kwok Koon Keung
Director

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
On incorporation	—	—	—	—
Profit for the year and total comprehensive income for the year	—	—	4,650	4,650
Placing of shares	16,750	—	—	16,750
Shares issue expenses	(2,369)	—	—	(2,369)
At 31 March 2015 and 1 April 2015	14,381	—	4,650	19,031
Loss for the year and total comprehensive loss for the year	—	—	(6,187)	(6,187)
Issue of bonus shares	(5,000)	—	—	(5,000)
Equity-settled share option arrangement	—	1,183	—	1,183
At 31 March 2016	9,381	1,183	(1,537)	9,027

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2016.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years is set out below.

RESULTS

	Years ended 31 March			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**812,470**	750,075	825,379	540,226
PROFIT/(LOSS) BEFORE TAX	**11,505**	(1,336)	20,360	10,434
Income tax credit/(expense)	**840**	(3,447)	(4,408)	(3,160)
PROFIT/(LOSS) FOR THE YEAR	**12,345**	(4,783)	15,952	7,274
Attributable to:				
Owners of the Company	**10,856**	(3,977)	15,946	7,620
Non-controlling interests	**1,489**	(806)	6	(346)
	12,345	(4,783)	15,952	7,274

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**267,908**	190,922	1,289,797	1,199,016
Total liabilities	**(232,002)**	(162,664)	(1,038,033)	(972,622)
Non-controlling interests	**(6,252)**	(4,966)	(5,823)	(5,817)
	29,654	23,292	245,941	220,577

The summary of the consolidated results of the Group for the two years ended 31 March 2013 and 31 March 2014 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 March 2013 and 2014 have been extracted from the Prospectus. Such summary is presented on the basis as set out in the Prospectus.

The financial information for the year ended 31 March 2012 was not disclosed as consolidated financial statements for the Group have not been prepared for that year.