



迪臣建設國際集團有限公司

Deson Construction International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8268

INTERIM REPORT 2017

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

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

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

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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.*

INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2017 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

| | Notes | (Unaudited) Three months ended 30 September | | (Unaudited) Six months ended 30 September | |
|--|-------|---|------------------|---|------------------|
| | | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| REVENUE | 4 | 242,361 | 223,959 | 471,220 | 484,206 |
| Cost of sales | | (217,088) | (207,152) | (407,281) | (424,445) |
| Gross profit | | 25,273 | 16,807 | 63,939 | 59,761 |
| Other income and gains | 4 | 319 | 224 | 657 | 697 |
| Administrative expenses | | (7,835) | (6,596) | (15,777) | (14,009) |
| Other operating income/ (expenses), net | | (6) | — | (7) | 2,919 |
| Finance costs | 6 | (853) | (788) | (1,668) | (1,436) |
| PROFIT BEFORE TAX | 5 | 16,898 | 9,647 | 47,144 | 47,932 |
| Income tax expense | 7 | (913) | (43) | (857) | (1) |
| PROFIT FOR THE PERIOD | | 15,985 | 9,604 | 46,287 | 47,931 |
| Attributable to: | | | | | |
| Owners of the Company | | 15,694 | 8,791 | 45,460 | 46,224 |
| Non-controlling interests | | 291 | 813 | 827 | 1,707 |
| | | 15,985 | 9,604 | 46,287 | 47,931 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 8 | | | | |
| Basic | | HK1.57 cent | HK0.88 cent | HK4.55 cents | HK4.62 cents |
| Diluted | | HK1.50 cent | HK0.87 cent | HK4.27 cents | HK4.35 cents |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

| | (Unaudited) Three months ended 30 September | | (Unaudited) Six months ended 30 September | |
|---|---|------------------|---|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| PROFIT FOR THE PERIOD | 15,985 | 9,604 | 46,287 | 47,931 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences on translation of foreign operations | 737 | (1,419) | 1,463 | (1,419) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | 737 | (1,419) | 1,463 | (1,419) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 16,722 | 8,185 | 47,750 | 46,512 |
| Attributable to: | | | | |
| Owners of the Company | 16,273 | 7,639 | 46,613 | 45,072 |
| Non-controlling interests | 449 | 546 | 1,137 | 1,440 |
| | 16,722 | 8,185 | 47,750 | 46,512 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

| | Notes | 30 September 2017 HK\$'000 (Unaudited) | 31 March 2017 HK\$'000 (Audited) |
|---|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 19,252 | 19,729 |
| Investment properties | 10 | 11,349 | 10,961 |
| Total non-current assets | | 30,601 | 30,690 |
| CURRENT ASSETS | | | |
| Gross amount due from contract customers | | 23,505 | 27,780 |
| Due from related companies | | 5,903 | 5,900 |
| Accounts receivable | 11 | 115,151 | 129,431 |
| Prepayments, deposits and other receivables | | 97,492 | 29,346 |
| Equity investments at fair value through profit or loss | 12 | 32,917 | 65,301 |
| Tax recoverable | | 179 | 1,079 |
| Pledged deposits | | 32,805 | 32,780 |
| Cash and cash equivalents | | 108,277 | 49,042 |
| Total current assets | | 416,229 | 340,659 |
| CURRENT LIABILITIES | | | |
| Gross amount due to contract customers | | 120,121 | 124,840 |
| Accounts payable | 13 | 39,431 | 27,786 |
| Other payables and accruals | | 91,674 | 72,295 |
| Due to a non-controlling shareholder | | 1,500 | 1,500 |
| Due to a related company | | 14 | 14 |
| Tax payable | | 1,153 | 1,134 |
| Derivative component of convertible bonds | 14 | 8,321 | 8,321 |
| Interest-bearing bank borrowings | | 4,840 | 4,455 |
| Total current liabilities | | 267,054 | 240,345 |
| NET CURRENT ASSETS | | 149,175 | 100,314 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 179,776 | 131,004 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2017

| | Notes | 30 September 2017 HK\$'000 (Unaudited) | 31 March 2017 HK\$'000 (Audited) |
|---|-------|---|---|
| NON-CURRENT LIABILITIES | | | |
| Liability component of convertible bonds | 14 | 26,635 | 25,600 |
| Deferred tax liabilities | | 2,860 | 2,873 |
| Total non-current liabilities | | 29,495 | 28,473 |
| Net assets | | 150,281 | 102,531 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 15 | 25,000 | 25,000 |
| Reserves | | 117,116 | 70,503 |
| | | 142,116 | 95,503 |
| Non-controlling interests | | 8,165 | 7,028 |
| Total equity | | 150,281 | 102,531 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---------------------------------------|---------------|----------------------|------------------------------|----------------------|------------------------------|---------------|--------------------------------------|----------|---------------------------|--------------|
| | Issued Capital | Share premium | Contribution surplus | Property revaluation reserve | Share option reserve | Exchange fluctuation reserve | Reserve funds | Retain profits/ losses (accumulated) | Total | Non-controlling interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 2016 (audited) | 25,000 | 9,381 | (5,372) | 14,294 | 1,183 | 3,939 | 5,581 | (24,352) | 29,654 | 6,252 | 35,906 |
| Profit for the period | — | — | — | — | — | — | — | 46,224 | 46,224 | 1,707 | 47,931 |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | (1,152) | — | — | (1,152) | (267) | (1,419) |
| Total comprehensive income for the period | — | — | — | — | — | (1,152) | — | 46,224 | 45,072 | 1,440 | 46,512 |
| Release of revaluation reserve | — | — | — | (340) | — | — | — | 340 | — | — | — |
| At 30 September 2016 | 25,000 | 9,381 | (5,372) | 13,954 | 1,183 | 2,787 | 5,581 | 22,212 | 74,726 | 7,692 | 82,418 |
| At 1 April 2017 (audited) | 25,000 | 9,381 | (5,372) | 15,916 | 1,183 | 1,951 | 5,581 | 41,863 | 95,503 | 7,028 | 102,531 |
| Profit for the period | — | — | — | — | — | — | — | 45,460 | 45,460 | 827 | 46,287 |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | 1,153 | — | — | 1,153 | 310 | 1,463 |
| Total comprehensive income for the period | — | — | — | — | — | 1,153 | — | 45,460 | 46,613 | 1,137 | 47,750 |
| Release of revaluation reserve | — | — | — | (216) | — | — | — | 216 | — | — | — |
| At 30 September 2017 | 25,000 | 9,381* | (5,372)* | 15,700* | 1,183* | 3,104* | 5,581* | 87,539* | 142,116 | 8,165 | 150,281 |

* These reserve accounts comprise the consolidated reserves of HK\$117,116,000 (31 March 2017: HK\$70,503,000) in the condensed consolidated statement of financial position as at 30 September 2017.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

| | Notes | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
|---|-------|---------------------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 47,144 | 47,932 |
| Adjustments for: | | | |
| Finance costs | 6 | 1,668 | 1,436 |
| Interest income | 4 | (163) | (99) |
| Dividend income | 4 | (126) | (57) |
| Loss on disposal of items of property, plant and equipment | 5 | 31 | — |
| Fair value gain on equity investments at fair value through profit or loss | 4 | (35,998) | (37,694) |
| Fair value gain on the derivative component of convertible bonds | 5 | — | (2,919) |
| Depreciation | 5 | 411 | 403 |
| | | 12,967 | 9,002 |
| Decrease in gross amount due from contract customers | | 4,354 | 371 |
| Decrease in accounts receivable | | 14,824 | 21,136 |
| Decrease in equity investments at fair value through profit or loss | | 68,382 | 13,109 |
| Increase in prepayments, deposits and other receivables | | (67,383) | (29,966) |
| (Decrease)/increase in gross amount due to contract customers | | (4,719) | 1,450 |
| Increase/(decrease) in accounts payable | | 11,044 | (17,255) |
| Increase in other payables and accruals | | 18,674 | 4,885 |
| Cash generated from operations | | 58,143 | 2,732 |
| Interest paid | | (711) | (354) |
| Overseas tax paid | | (56) | (204) |
| Dividend received | | 126 | 57 |
| Net cash flow from operating activities | | 57,502 | 2,231 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 September 2017

| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
|---|--|---------------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 163 | 99 |
| Purchases of items of property, plant and equipment | (7) | (94) |
| Proceeds from disposal of items of property, plant and equipment | 42 | — |
| Increase in pledged deposits | (25) | (25) |
| Movement in balances with related companies, net | (3) | — |
| Net cash flows from/(used in) investing activities | 170 | (20) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| New bank borrowings | 4,687 | 9,177 |
| Repayment of bank borrowings | (3,033) | (13,475) |
| Proceed of convertible bonds | — | 30,900 |
| Transaction cost of convertible bonds | — | (725) |
| Movement in balances with fellow subsidiaries | — | 25 |
| Net cash flows from financing activities | 1,654 | 25,902 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents at beginning of period | 47,620 | 21,033 |
| Effect of foreign exchange rate changes, net | 1,178 | (470) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 108,124 | 48,676 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents stated in the statement of financial position | 108,277 | 65,093 |
| Bank overdrafts, secured | (153) | (16,417) |
| Cash and cash equivalents as stated in the statement of cash flows | 108,124 | 48,676 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Deson Construction International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 18 July 2014. The registered address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally involved in (i) 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; and (ii) investment in securities.

In prior periods and up to 31 March 2017, in the opinion of the directors of the Company, Deson Development Holdings Limited (“**DDHL**”), a company incorporated in the British Virgin Islands, was 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 of Hong Kong Limited, was the ultimate holding company of the Company. On 31 March 2017, DDHL’s equity interest in the Company was reduced from 51.18% to 31.18% by way of the placing of 200,000,000 ordinary shares of the Company to independent third parties which was completed on the same date. Since then, the Company has become an associate of DDHL.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”) of the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, and investment properties, which have been measured at valuation or fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2017.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the six months ended 30 September 2017 are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 March 2017 except as described below:

2. BASIS OF PREPARATION (Continued)

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants.

| | |
|---|---|
| Amendments to HKAS 7 | <i>Disclosure Initiative</i> |
| Amendments to HKAS 12 | <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> |
| Amendments to HKFRS 12 included in <i>Annual Improvement 2014–2016 Cycle</i> | <i>Disclosure of Interests in Other Entities</i> |

The adoption of these amendments to HKFRSs has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early adopted the new and amendments to HKFRSs that have been issued but are not yet effective.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

| | (Unaudited) | | | (Unaudited) | | |
|---|--|-----------------------------------|----------------|--|-----------------------------------|----------------|
| | Three months ended 30 September 2017 | | | Six months ended 30 September 2017 | | |
| | Construction contracting and related business HK\$'000 | Investment in securities HK\$'000 | Total HK\$'000 | Construction contracting and related business HK\$'000 | Investment in securities HK\$'000 | Total HK\$'000 |
| Segment revenue: | | | | | | |
| Income from external customers | 235,521 | 6,840 | 242,361 | 435,096 | 36,124 | 471,220 |
| Other income and gains | 248 | — | 248 | 494 | — | 494 |
| | 235,769 | 6,840 | 242,609 | 435,590 | 36,124 | 471,714 |
| Segment results | | | | | | |
| Operating profit | 11,911 | 6,840 | 18,751 | 14,743 | 36,124 | 50,867 |
| <i>Reconciliation:</i> | | | | | | |
| Interest income | | | 71 | | | 163 |
| Unallocated expenses | | | (1,071) | | | (2,218) |
| Finance costs | | | (853) | | | (1,668) |
| Profit before tax | | | 16,898 | | | 47,144 |
| Other segment information: | | | | | | |
| Loss on disposal of items of property, plant and equipment | 6 | — | 6 | 31 | — | 31 |
| Depreciation | 206 | — | 206 | 411 | — | 411 |
| | 212 | — | 212 | 442 | — | 442 |
| | 212 | — | 212 | 442 | — | 442 |
| | (Unaudited) | | | (Unaudited) | | |
| | Three months ended 30 September 2016 | | | Six months ended 30 September 2016 | | |
| | Construction contracting and related business HK\$'000 | Investment in securities HK\$'000 | Total HK\$'000 | Construction contracting and related business HK\$'000 | Investment in securities HK\$'000 | Total HK\$'000 |
| Segment revenue: | | | | | | |
| Income from external customers | 219,092 | 4,867 | 223,959 | 446,455 | 37,751 | 484,206 |
| Other income and gains | 140 | — | 140 | 598 | — | 598 |
| | 219,232 | 4,867 | 224,099 | 447,053 | 37,751 | 484,804 |
| Segment results | | | | | | |
| Operating profit | 5,639 | 4,867 | 10,506 | 9,711 | 37,751 | 47,462 |
| <i>Reconciliation:</i> | | | | | | |
| Interest income | | | 84 | | | 99 |
| Fair value gain on financial liabilities at fair value through profit or loss | | | — | | | 2,919 |
| Unallocated expenses | | | (155) | | | (1,112) |
| Finance costs | | | (788) | | | (1,436) |
| Profit before tax | | | 9,647 | | | 47,932 |
| Other segment information: | | | | | | |
| Depreciation | 154 | — | 154 | 403 | — | 403 |
| | 154 | — | 154 | 403 | — | 403 |

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information of income from external customers

| | (Unaudited) Three months ended 30 September | | (Unaudited) Six months ended 30 September | |
|----------------|---|------------------|---|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Hong Kong | 171,377 | 174,107 | 328,145 | 366,983 |
| Mainland China | 70,984 | 38,774 | 138,872 | 101,437 |
| Macau | — | 11,078 | 4,203 | 15,786 |
| | 242,361 | 223,959 | 471,220 | 484,206 |

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate proportion of contract revenue from construction contracting and related business; and gains on investment in securities.

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

| | (Unaudited) Three months ended 30 September | | (Unaudited) Six months ended 30 September | |
|-----------------------------------|---|------------------|---|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Revenue | | | | |
| Income from construction | | | | |
| contracting and related business | 235,521 | 219,092 | 435,096 | 446,455 |
| Fair value gain on equity | | | | |
| investments at fair value through | | | | |
| profit or loss, net | 6,799 | 4,867 | 35,998 | 37,694 |
| Dividend income from equity | | | | |
| investments at fair value through | | | | |
| profit or loss | 41 | — | 126 | 57 |
| | 242,361 | 223,959 | 471,220 | 484,206 |
| Other income and gains | | | | |
| Bank interest income | 71 | 84 | 163 | 99 |
| Gross rental income | 156 | — | 310 | — |
| Others | 92 | 140 | 184 | 598 |
| | 319 | 224 | 657 | 697 |

5. PROFIT BEFORE TAX

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

| | (Unaudited) Three months ended 30 September | | (Unaudited) Six months ended 30 September | |
|--|---|------------------|---|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Cost of construction contracting | 217,088 | 207,152 | 407,281 | 424,445 |
| Depreciation | 206 | 154 | 411 | 403 |
| Minimum lease payments under operating leases on land and buildings | 764 | 618 | 1,266 | 1,268 |
| Loss on disposal of items of property, plant and equipment [^] | 6 | — | 31 | — |
| Rental income on investment properties | 156 | — | 310 | — |
| Less: outgoings | (23) | — | (52) | — |
| Net rental income | 133 | — | 258 | — |
| Employee benefit expense (including directors' remuneration): | | | | |
| Wages and salaries | 7,276 | 6,854 | 14,603 | 13,990 |
| Pension scheme contributions* | 247 | 259 | 467 | 483 |
| Less: Amount capitalised | (2,951) | (2,823) | (5,904) | (6,044) |
| | 4,572 | 4,290 | 9,166 | 8,429 |
| Directors' remuneration | | | | |
| Fee | 150 | 150 | 300 | 300 |
| Salaries and allowances | 1,443 | 905 | 2,238 | 1,805 |
| Pension scheme contribution | 33 | 32 | 64 | 61 |
| | 1,626 | 1,087 | 2,602 | 2,166 |
| Foreign exchange differences, net [^] | — | — | (24) | — |
| Fair value gain on financial liabilities at fair value through profit or loss [^] | — | (2,919) | — | (2,919) |

* At 30 September 2017, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2016: Nil).

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

| | (Unaudited) | | (Unaudited) | |
|--|--------------------|------------|------------------|--------------|
| | Three months ended | | Six months ended | |
| | 2017 | 2016 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Interest on bank loans and overdraft | 65 | 199 | 93 | 354 |
| Interest on convertible bonds (note 14) | 838 | 759 | 1,653 | 1,369 |
| Less: Interest capitalised | (50) | (170) | (78) | (287) |
| | 853 | 788 | 1,668 | 1,436 |

7. INCOME TAX

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2017 and 2016, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | (Unaudited) | | (Unaudited) | |
|---------------------------------|--------------------|-----------|------------------|----------|
| | Three months ended | | Six months ended | |
| | 2017 | 2016 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Current — Hong Kong | | | | |
| Charge for the period | 900 | — | 900 | — |
| Current — Elsewhere | | | | |
| Charge for the period | 35 | — | 35 | 2 |
| Deferred | (22) | 43 | (78) | (1) |
| Total tax charge for the period | 913 | 43 | 857 | 1 |

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (30 September 2016: 1,000,000,000) in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

| | (Unaudited) Three months ended 30 September 2017 HK\$'000 | | (Unaudited) Six months ended 30 September 2017 HK\$'000 | |
|--|---|----------------------|---|----------------------|
| | 2016 HK\$'000 | | 2016 HK\$'000 | |
| Earnings | | | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation | | 15,694 | 8,791 | 45,460 |
| Interest on convertible bonds | | 838 | 759 | 1,653 |
| | | 16,532 | 9,550 | 47,113 |
| Shares | | | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| Effect of dilution | | | | |
| — weighted average number of ordinary shares: | | | | |
| Share options* | | — | — | — |
| Convertible bonds | | 103,000,000 | 103,000,000 | 93,431,694 |
| | | 1,103,000,000 | 1,103,000,000 | 1,093,431,694 |

* The share options granted on 3 February 2016 had an anti-dilutive effect on the basis earnings per share and have not been included in the diluted earnings per share calculation for the six months ended 30 September 2017 and 2016.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

10. INVESTMENT PROPERTIES

| | (Unaudited) 30 September 2017 HK\$'000 | (Audited) 31 March 2017 HK\$'000 |
|---|---|---|
| Carrying amount at beginning of period/year | 10,961 | 10,860 |
| Net gain from fair value adjustment | — | 748 |
| Exchange realignment | 388 | (647) |
| | <hr/> | <hr/> |
| Carrying amount at end of period/year | 11,349 | 10,961 |

As at 30 September 2017, investment properties of the Group with a carrying amount of HK\$11,349,000 (31 March 2017: HK\$10,961,000) were leased to independent third parties.

11. ACCOUNTS RECEIVABLE

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

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

| | (Unaudited) 30 September 2017 HK\$'000 | (Audited) 31 March 2017 HK\$'000 |
|-----------------------------|---|---|
| Current to 90 days | 28,452 | 56,319 |
| 91 to 180 days | 13,050 | 12,503 |
| 181 to 360 days | 17,374 | 3,223 |
| Over 360 days | 2,867 | 1,898 |
| | <hr/> | <hr/> |
| Retention monies receivable | 61,743 53,408 | 73,943 55,488 |
| | <hr/> | <hr/> |
| Total | 115,151 | 129,431 |

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | (Unaudited) 30 September 2017 HK\$'000 | (Audited) 31 March 2017 HK\$'000 |
|--|---|---|
| Listed equity investments, at market value | 32,917 | 65,301 |

The above equity investments at 30 September 2017 and 31 March 2017 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.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$29,841,000.

13. 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:

| | (Unaudited) 30 September 2017 HK\$'000 | (Audited) 31 March 2017 HK\$'000 |
|--------------------|---|---|
| Current to 90 days | 25,329 | 9,750 |
| 91 to 180 days | 4,276 | 5,224 |
| 181 to 360 days | 2,061 | 10,119 |
| Over 360 days | 7,765 | 2,693 |
| | 39,431 | 27,786 |

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

14. CONVERTIBLE BONDS

On 18 April 2016, the Group issued 2% convertible bonds with a nominal value of HK\$30,900,000. The bonds are convertible at the option of the bondholders into ordinary shares in the period commencing on 12 months from the issuance date of these convertible bonds and expiring on the date which is seven days preceding 19 April 2019 on the basis of HK\$0.3 per conversion share, subject to adjustments. Any convertible bonds not converted will be redeemed on 19 April 2019 at the nominal value. The convertible bonds carry interest at a rate of 2% per annum, which is payable annually in arrears on 19 April.

The proceeds from the issuance of the convertible bonds of HK\$30,900,000 have been split into liability and derivative components on the issuance date. Upon the issuance of the convertible bonds, the fair value of the derivative component is determined using an option pricing model and this amount is carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the end of the Reporting Period are recognised in profit or loss.

There was no movement in the number of the convertible bonds during the period since its issuance.

The movements of the liability component and the derivative component of the convertible bonds are as follows:

| | Liability component HK\$000 | Derivative component HK\$000 | Total HK\$000 |
|---------------------------|--|---|--------------------------|
| At 18 April 2016 | 23,455 | 7,445 | 30,900 |
| Transaction costs | (725) | — | (725) |
| Interest expense | 2,870 | — | 2,870 |
| Fair value adjustment | — | 876 | 876 |
| | 25,600 | 8,321 | 33,921 |
| At 31 March 2017 | 25,600 | 8,321 | 33,921 |
| Interest paid | (618) | — | (618) |
| Interest expense (note 6) | 1,653 | — | 1,653 |
| | 26,635 | 8,321 | 34,956 |
| At 30 September 2017 | 26,635 | 8,321 | 34,956 |

15. SHARE CAPITAL

| | (Unaudited) 30 September 2017 HK\$'000 | (Audited) 31 March 2017 HK\$'000 |
|---|---|---|
| Authorised: | | |
| 4,000,000,000 ordinary shares of HK\$0.025 each | 100,000 | 100,000 |
| Issued and fully paid: | | |
| 1,000,000,000 ordinary shares of HK\$0.025 each | 25,000 | 25,000 |
| | Number of shares in issue | Share premium account Total HK\$'000 |
| At 1 April 2017 and 30 September 2017 | 1,000,000,000 | 25,000 9,381 34,381 |

16. OPERATING LEASE COMMITMENTS

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

As at 30 September 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
|---|----------------------------------|------------------------------|
| Within one year | 2,547 | 762 |
| In the second to fifth years, inclusive | 1,761 | 1,265 |
| | 4,308 | 2,027 |

17. RELATED PARTY TRANSACTIONS

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

| Notes | (Unaudited) Three months ended 30 September 2017 | | (Unaudited) Six months ended 30 September 2017 | |
|---|---|------------------|---|------------------|
| | HK\$'000 | 2016 HK\$'000 | HK\$'000 | 2016 HK\$'000 |
| Management fees received from a fellow subsidiary (i) | — | 11 | — | 23 |
| Management fees received from a related company (i) | 13 | — | 28 | — |
| Rental expenses paid to fellow subsidiaries (ii) | — | 443 | — | 887 |
| Rental expenses paid to a related company (iii) | 429 | — | 858 | — |

Notes:

- (i) The management fees received were charged by reference to actual costs incurred for the services provided by the Group.
- (ii) Rental expenses were charged by the Group's fellow subsidiaries, Grand On Enterprise Limited ("**Grand On**") and Hua Sheng International Real Estate Development (Shanghai) Co., Ltd., at HK\$143,000 and RMB4,300 per month, respectively.
- (iii) Rental expenses were charged by Group's related company, Grand On, at HK\$143,000 per month. Mr. Tjia Boen Sien is a director of the Company and Grand On.

(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 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 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 5 to the financial statements.

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

18. 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 | |
|---|----------------------------------|------------------------------|----------------------------------|------------------------------|
| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
| Financial assets | | | | |
| Equity investments at fair value through profit or loss | 32,917 | 65,301 | 32,917 | 65,301 |
| Financial liabilities | | | | |
| Derivative component of convertible bonds | 8,321 | 8,321 | 8,321 | 8,321 |

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, accounts receivables, accounts payables, 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 and related companies 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.

The fair value of the liability component of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk. The fair value of the derivative component of the convertible bonds has been estimated using a valuation technique of binomial model that incorporates various market unobservable or observable inputs including risk-free rate, volatility, liquidity discount and risky discount rate. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the statement of financial position, and the related changes in fair value, which are recorded in profit or loss, are reasonable, and that it was the most appropriate value at the end of the Reporting Period.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors.

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 30 September 2017

| | Fair value measurement using | | | Total HK\$'000 |
|---|---|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| Equity investments at fair value through profit or loss | 32,917 | — | — | 32,917 |

As at 31 March 2017

| | Fair value measurement using | | | Total HK\$'000 |
|---|---|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| Equity investments at fair value through profit or loss | 65,301 | — | — | 65,301 |

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 September 2017

| | Fair value measurement using | | | Total HK\$'000 |
|--|---|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| Derivative component of convertible bonds | — | — | 8,321 | 8,321 |

As at 31 March 2017

| | Fair value measurement using | | | Total HK\$'000 |
|--|---|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| Derivative component of convertible bonds | — | — | 8,321 | 8,321 |

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 March 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

The Group's turnover for the six months ended 30 September 2017 recorded at approximately HK\$471,220,000 which represented a decrease of 2.7% from approximately HK\$484,206,000 for the six months ended 30 September 2016. For construction segment, turnover for the six months ended 30 September 2017 recorded at approximately HK\$435,096,000 which represented a decrease of 2.5% from approximately HK\$446,455,000 for the six months ended 30 September 2016. For investment in marketable securities segment, turnover for the six months ended 30 September 2017 recorded at approximately HK\$36,124,000 which represented an decrease of 4.3% from approximately HK\$37,751,000 for the six months ended 30 September 2016.

(i) Construction Segment

(a) Building construction works:

For the six months ended 30 September 2017, revenue recorded from this section amounted to approximately HK\$98,646,000 (six months ended 30 September 2016: HK\$108,555,000). The significant decrease by 9.1% was due to the completion of several contracts during the year ended 31 March 2017 and no revenue was recognised during the Reporting Period. These contracts include (i) main contractor works for eight residential houses at Pik Sha Road, Hong Kong; (ii) main contractor works for the development of a 12-storey residential building at Stubbs Road, Hong Kong; and (iii) 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.

The above decrease was partly offset by (i) the variation orders works recognised for the main contractor works for four residential houses at Stubbs Road, Hong Kong which the corresponding main contract has been completed during the year ended 31 March 2015 and no revenue was recognised in last reporting period; and (ii) the additional turnover recognised for the site formation and foundation works at Peak Road, Hong Kong which was commenced in July 2016, thus only a small portion of revenue was recognised in last reporting period.

(b) Electrical and mechanical engineering works:

For the six months ended 30 September 2017, revenue recorded at this section amounted to approximately HK\$143,173,000 (six months ended 30 September 2016: HK\$128,219,000). The significant increase by 11.7% was mainly due to the commencement of the following projects after last period end: (i) building services installation works of two special schools at Sung On Street, To Kwa Wan, Kowloon, Hong Kong; (ii) building services installation works of 36-Classroom primary school in Area 36 at Fanling, New Territories, Hong Kong; (iii) supply and installation of E&M works at East Point Centre, Causeway Bay, Hong Kong; and (iv) electrical installation at Lot 1003 in Demarcation District No. 40, Sha Tau Kok, New Territories, Hong Kong.

The above increase was partly offset by some projects which are substantially completed before April 2017 and less revenue was recognised in this Reporting Period. These projects include: (i) building services installation works of two 30-classroom primary school at Kai Tak, Kowloon, Hong Kong; and (ii) fire services and MVAC installation of Multimedia Production and Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong.

(c) Fitting-out works:

For the six months ended 30 September 2017, revenue recorded at this section amounted to approximately HK\$193,277,000 (six months ended 30 September 2016: HK\$209,681,000). The decrease by 7.8% was due to the addition and alteration works and fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Kowloon which were completed for the year ended 31 March 2017 and no revenue was recognised during this Reporting Period.

The above decrease was partly offset by the additional turnover recognised for two fitting-out works contracts of residential houses at Henderson Road, Hong Kong which was commenced in January 2017 and April 2017 respectively, thus no revenue was recognised in last reporting period.

(ii) Investment in Marketable Securities Segment

For the six months ended 30 September 2017, revenue recorded from this segment amounted to approximately HK\$36,124,000 (six months ended 30 September 2016: HK\$37,751,000). It was mainly attributable to gains from disposal of securities in the market.

As at 30 September 2017, the Group managed a portfolio of listed equity investments with fair value of approximately HK\$33 million (31 March 2017: HK\$65 million) which are classified as equity investments at fair value through profit or loss. During the Reporting Period, the Group recorded an unrealised gain on fair value change of listed equity investments of approximately HK\$7 million (six months ended 30 September 2016: approximately HK\$5 million) and a realised gain of approximately HK\$29 million (six months ended 30 September 2016: approximately HK\$33 million). The Directors consider the development of this investment in marketable securities 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. Details of the marketable securities are disclosed under the section "**SIGNIFICANT INVESTMENTS**".

Due to the drop in the realized gain arising from the disposal of marketable securities and the decrease in fair value gain recognised for the convertible bonds, the net profit attributable to owners of the Company slightly decreased to approximately HK\$45,460,000 as compared with the net profit attributable to owners of the Company which amounted to approximately HK\$46,224,000 for the six months ended 30 September 2016. Basic earnings per share is HK4.55 cents for the period ended 30 September 2017.

Financial Review

Turnover

For the six months ended 30 September 2017, the Group's turnover amounted to approximately HK\$471 million, decreased by 2.7% as compared to the last period. The decrease in turnover was mainly due to the completion of several building construction works and fitting-out works projects for the year ended 31 March 2017 and no turnover was recognised in this Reporting Period. Further, the drop in the realised gain recognised for the sales of marketable securities during this Reporting period also caused the drop in the Group's revenue.

Gross profit margin

Our gross profit increased by approximately HK\$4.1 million or 7.0%, from approximately HK\$59.8 million for the six months ended 30 September 2016 to approximately HK\$63.9 million for the six months ended 30 September 2017. During the six months ended 30 September 2017, the gross profit margin was approximately 13.6%, up by 1.3% as compared to last period's 12.3%. After excluding the profit generating from the investment in marketable securities segment, the gross profit margin for this Reporting Period was approximately 6.4%, up by 1.5% as compared to last period's 4.9%. The increase was due to a higher gross margin was noted for the variation orders works recognised during this Reporting Period for the main contractor works of four residential houses at Stubbs Road.

The increase in profit outperformed the decrease in revenue, which was mainly attributable to better margin of new contracts, stringent cost control and project management.

Other income

Other income decreased by approximately HK\$40,000 or 5.7% from approximately HK\$697,000 for the six months ended 30 September 2016 to approximately HK\$657,000 for the six months ended 30 September 2017. The decrease is mainly because (i) more penalties were charged to sub-contractors during the last reporting period, in the event of non-compliance with rules set by our Group (including but not limited to safety rules), by their staff at our project site; and (ii) more interest income was charged to subcontractors in last reporting period for the amount advanced to them.

Administrative expenses

Administrative expenses increased by approximately HK\$1.7 million or 12.6% from approximately HK\$14.0 million for the six months ended 30 September 2016 to approximately HK\$15.7 million for the six months ended 30 September 2017. The increase was mainly due to the rise of staff cost due to annual salary review for staff.

Finance costs

Finance costs increased by approximately HK\$0.3 million or 16.2% from approximately HK\$1.4 million for the six months ended 30 September 2016 to approximately HK\$1.7 million for the three months ended 30 September 2017. The increase was mainly due to the finance costs incurred for the convertible bonds issued in 18 April 2016.

Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

Liquidity and financial resources

As at 30 September 2017, the Group had total assets of HK\$446,830,000, which has been financed by total liabilities, shareholders' equity and non-controlling interests of HK\$296,549,000, HK\$142,116,000 and HK\$8,165,000, respectively. The Group's current ratio at 30 September 2017 was also 1.56 compared to 1.42 at 31 March 2017.

The gearing ratio for the Group as at 30 September 2017 is 16% (31 March 2017: 22%). It was calculated based on the non-current liabilities of HK\$29,495,000 (31 March 2017: HK\$28,473,000) and long term capital (equity and non-current liabilities) of HK\$179,776,000 (31 March 2017: HK\$131,004,000).

Capital expenditure

Total capital expenditure for the six months ended 30 September 2017 was approximately HK\$7,000, which was mainly used in the purchase of property, plant and equipment.

Contingent liabilities

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

Commitments

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

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK\$18,046,000 (31 March 2017: HK\$18,300,000); and
- (ii) the pledge of the Group's deposits of HK\$32,805,000 (31 March 2017: HK\$32,780,000).

Treasury policies

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

Exchange risk exposure

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 15 to the condensed consolidated financial statements.

As at 30 September 2017, the Company had outstanding convertible bonds with the aggregate principal amount of HK\$30,900,000 held by six independent third parties.

Based on the initial conversion price of HK\$0.30 per conversion share, 103,000,000 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds which represent approximately 10.3% of the existing issued share capital of the Company as at the date of approval of these financial statements.

SIGNIFICANT INVESTMENTS

As at 30 September 2017, The Group held approximately HK\$33 million equity investments at fair value through profit or loss. Details of the significant investments are as follows:

| | Notes | Stock Code | Place of incorporation | Unrealised fair value gain/(loss) HK\$'000 | Market values HK\$'000 | Approximate percentage of equity investments at fair value through profit or loss % | Approximate percentage to the net assets of the Group % |
|--|-------|------------|--|---|---------------------------|--|--|
| Soho China Limited | 1 | 410 | Cayman Islands | (18) | 134 | 0.4 | 0.09 |
| Singamas Container Holdings Limited | 2 | 716 | Hong Kong | (20) | 173 | 0.5 | 0.12 |
| Shun Wo Group Holdings Limited | 3 | 1591 | Cayman Islands British Virgin Islands | 653 | 3,210 | 9.8 | 2.14 |
| Pantronics Holdings Limited | 4 | 1611 | Islands | 261 | 3,660 | 11.1 | 2.44 |
| China Overseas Property Holdings Limited | 5 | 2669 | Cayman Islands | 5 | 561 | 1.7 | 0.37 |
| Kiddleland International Limited | 6 | 3830 | Cayman Islands | (20) | 99 | 0.3 | 0.07 |
| Jia Meng Holdings Limited | 7 | 8101 | Cayman Islands | (1,224) | 3,240 | 9.8 | 2.16 |
| China Information Technology Development Limited | 8 | 8178 | Cayman Islands | (360) | 4,230 | 12.9 | 2.81 |
| Sau San Tong Holdings Limited | 9 | 8200 | Cayman Islands | (11) | 4,410 | 13.4 | 2.93 |
| Koala Financial Group Limited | 10 | 8226 | Cayman Islands | 8,190 | 13,200 | 40.1 | 8.78 |
| | | | | 7,456 | 32,917 | | |

Notes:

1. Soho China Limited is principally engaged in real estate development, property leasing and property management. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately RMB74,406,060,000 as at 30 June 2017.
2. Singamas Container Holdings Limited is principally engaged in (i) manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, US domestic containers, offshore containers, other specialized containers and container parts and (ii) provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling and other container related services. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately USD596,003,000 as at 30 June 2017.
3. Shun Wo Group Holdings Limited is engaged in undertaking foundation works in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$156,809,000 as at 31 March 2017.

4. Pantronics Holdings Limited is principally engaged in the electronic manufacturing services. A dividend in the sum of HK\$85,000 was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$117,028,000 as at 31 March 2017.
5. China Overseas Property Holdings Limited is principally engaged in provision of property management and value-added services. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$884,756,000 as at 30 June 2017.
6. Kiddieland International Limited is principally engaged in the manufacturing and selling of plastic toys products. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$143,932,000 as at 30 April 2017.
7. Jia Meng Holdings Limited is principally engaged (i) the design, manufacture and sale of mattress and soft bed products; (ii) the provision of property management and property agency services; (iii) securities investment; and (iv) property investment. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$415,433,000 as at 31 March 2017.
8. China Information Technology Development Limited is principally engaged in (A) the software development and system integration segment in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services; and (B) the in-house developed products segment in the lease of in-house developed computer hardware. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$545,713,000 as at 30 June 2017.
9. Sau San Tong Holdings Limited is principally engaged in the provision of beauty and slimming services from slimming centres, distribution sales of cosmetic and skin care products, sale of other health and beauty products, investment in securities and money lending business. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$933,822,000 as at 31 March 2017.
10. Koala Financial Group Limited is principally engaged in (i) securities investment; (ii) trading of commodities; (iii) trading of garment accessories; (iv) manufacturing and sales of LED digital display products; (v) provision of securities placing and brokerage services; (vi) money lending; and (vii) leasing of investment properties. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$201,683,000 as at 30 June 2017.

During the six months ended 30 September 2017, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$85 million and income recognised in revenue for the amount of HK\$29 million. Details of the transactions are as follows:

| | Stock code | Place of incorporation | Sales proceeds HK\$'000 | Realised gain/(loss) HK\$'000 |
|---|-----------------------|---|---------------------------------------|---|
| Master Glory Group Limited | 275 | Bermuda | 973 | 9 |
| Singamas Container Holdings Limited | 716 | Hong Kong | 1,010 | 45 |
| InvesTech Holdings Limited | 1087 | Cayman Islands | 3,275 | (367) |
| Zhuguang Holdings Group Company Limited | 1176 | Bermuda | 3,694 | 824 |
| Agricultural Bank of China Limited | 1288 | PRC | 362 | (5) |
| Industrial and Commercial Bank of China Limited | 1398 | PRC | 530 | 3 |
| Leap Holdings Group Limited | 1499 | Cayman Islands British Virgin Islands | 5,603 | (1,992) |
| Pantronics Holdings Limited | 1611 | Islands | 5,241 | 753 |
| ChinaAMC CSI 300 Index ETF | 3188 | N/A | 433 | 5 |
| Kiddieland International Limited | 3830 | Cayman Islands | 533 | (140) |
| Jia Meng Holdings Limited | 8101 | Cayman Islands | 5,966 | (854) |
| China Information Technology Development Limited | 8178 | Cayman Islands | 9,284 | (1,424) |
| China Candy Holdings Limited | 8182 | Cayman Islands | 44,016* | 31,796 |
| Echo International Holdings Group Limited | 8218 | Cayman Islands | 1,297 | (704) |
| First Credit Finance Group Limited | 8215 | Cayman Islands | 2,793 | 593 |
| | | | 85,010 | 28,542 |

* As one of the applicable percentage ratios as calculated pursuant to Rule 19.07 of the GEM Listing Rules exceeds 5% but is less than 25%, this sale transaction constituted a discloseable transaction.

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

Prospect

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", the Group is well-equipped to take an active part in the construction business development.

During the Reporting Period, new projects such as alterations and additions works including E&M works for a factory building at Chatham Road North, Hung Hom, Hong Kong, fitting-outs works of a residential house at Henderson Road, Hong Kong, replacement of deteriorated auto-fire alarm panel at General Post Office and Victoria Park swimming pool, Hong Kong, supply and installation of new fire detectors for Kowloon Shangri-La, Hong Kong, several term contracts for the maintenance and repair works including alterations and additions and fire services installations for Health Services Buildings at different location of Hong Kong, term contract for building services works at Sogo Department Store, Causeway Bay and Tsim Sha Tsui, Hong Kong, fitting-out works of China Meteorological Administration at Changing, Beijing, the PRC, fitting-out works of office at Shanxi, Taiyuan, the PRC and alterations and additions works of a Beijing school. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,307 million.

With the Group's proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group could strengthen its position in the Hong Kong market and diversify its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers. 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. The overall building and construction expenditure maintained its uptrend which was contributed by the growth in private building and construction activity and public building and construction expenditure stayed at a high level.

In view of the growth prospects for both public and private development projects, the Group intends to expand the business capacity and scale to strengthen its the market position in Hong Kong to capture more sizeable and profitable projects. The Group intends to further diversify the customer base by bidding works from more private residential developers.

While the construction sectors keep its upward trend, the Group's divisions in building construction and E&M faced keen competition as reflected in very close tender prices amongst tenderers. The management of all the Group's divisions are cautious in securing business and maintaining satisfactory margin. With the satisfactory level of contracts on hand, the Board is cautiously optimistic on the Group's business development in the future.

The Group is currently operating in the developed cities in the PRC. Urbanisation of the PRC is expected to continue at a rapid pace, in particular, in the third- and fourth-tier cities of the country. With the Group's expertise and experience in the PRC market, the Directors believe that the Group can seize such opportunities and focus on expanding its business in the third- and fourth-tier cities in the PRC.

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 expand the Group's service scope by application for additional licences, permits or qualifications which may be required; (ii) exercise more caution when tendering for new construction contracts and continue to selectively undertake new contracts; and (iii) further strengthen the Group's construction department through recruiting additional qualified and experienced staff.

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this report, our Group did not have other plans for material investment or capital assets as at 30 September 2017.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 2017, there were no material acquisition and disposal of subsidiaries and affiliated companies by our Group.

HUMAN RESOURCES


As at 30 September 2017, the Group had 128 employees, 56 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the six months ended 30 September 2017 amounted to approximately HK\$9 million as compared to approximately HK\$8 million for the same period in 2016, the increase was mainly due to the increment under the yearly review in current period.

The remuneration policy and package of the Group's employees are reviewed and approved by the Directors. Apart from the pension funds, in order to attract and retain a higher 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.

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 "**Scheme**") on 11 August 2015, the Company adopted the Share Option Scheme. Under the terms of the Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. 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 Company had 80,000,000 share options available for issue under the Scheme, which represented approximately 8% of the issued shares of the Company as at 30 September 2017.

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.

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 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 | | | | Date of grant of share options | Exercise period of share options | Price of the Company's shares** | |
|---------------------------------|-------------------------|---------------------------|-----------------------------|----------------------|--------------------------------|------------------------------------|----------------------------------|--------------------------|
| | At 1 April 2017 | Granted during the period | Exercised during the period | At 30 September 2017 | | | Exercise price of share options* | At grant date of options |
| | | | | | | | HK\$ per share | 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 |
| | <u>10,800,000</u> | <u>—</u> | <u>—</u> | <u>10,800,000</u> | | | | |
| 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 | <u>18,000,000</u> | <u>—</u> | <u>—</u> | <u>18,000,000</u> | | | | |

* 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.

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

As at 30 September 2017, the interests and short positions of the each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any associated corporation (within in the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules, were as follows:

A. Long positions in ordinary shares of the Company

| Name of Directors | Number of ordinary shares held, capacity and nature of interest | | Number of underlying ordinary shares of HK\$0.025 each in the Company | Options* | Total | Percentage of the Company's issued share capital |
|------------------------------------|---|--------------------------------|---|-------------|-------------|--|
| | Directly owned | Through controlled corporation | Number of underlying ordinary shares of HK\$0.025 each in the Company | | | |
| Mr. Keung Kwok Cheung | — | — | 2,400,000 | 2,400,000 | 2,400,000 | 0.24% |
| Mr. Kwok Koon Keung | 500 | — | 2,200,000 | 2,200,000 | 2,200,500 | 0.22% |
| Mr. Lo Wing Ling | — | — | 2,200,000 | 2,200,000 | 2,200,000 | 0.22% |
| Mr. Ong Chi King | 8,802,000 | — | 1,000,000 | 9,802,000 | 9,802,000 | 0.98% |
| Mr. Tjia Boen Sien ("Mr. Tjia") | 22,887,200 | 338,414,868 (Note 1) | — | 361,302,068 | 361,302,068 | 36.13% |
| Mr. Ong King Keung | — | — | 1,000,000 | 1,000,000 | 1,000,000 | 0.10% |
| Mr. Lee Tho Siem | — | — | 1,000,000 | 1,000,000 | 1,000,000 | 0.10% |
| Mr. Cheung Ting Kee | — | — | 1,000,000 | 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 338,414,868 shares in the Company (being aggregate of 26,645,000 shares in the Company held by Sparta Assets and 311,769,868 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 Directors | 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 30 September 2017 |
| 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 Ting 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”)

| Name of Directors | Number of ordinary shares of HK\$0.10 each in DDIHL | | Number of underlying ordinary shares of HK\$0.10 each in DDIHL | | Percentage of the DDIHL’s issued share capital |
|-----------------------|---|--------------------------------|--|-----------|--|
| | Directly beneficially owned | Through controlled corporation | Options* | Total | |
| | Mr. Tjia | 68,661,600(L) | 349,935,000(L) (Note 1) | 160,000 | |
| Mr. Keung Kwok Cheung | 300,000(L) | — | 1,500,000 | 1,800,000 | 0.18% |
| Mr. Kwok Koon Keung | 1,500(L) | — | 500,000 | 501,500 | 0.05% |
| Mr. Lo Wing Ling | — | — | 500,000 | 500,000 | 0.05% |
| 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 with consideration of HK\$1 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 Directors | Exercise price per share HK\$ | Number of underlying ordinary shares of HK\$0.10 each in DDIHL in respect of which options have been granted |
|-----------------------|-------------------------------------|--|
| | | Balance as at 30 September 2017 |
| Mr. Tjia | 0.71 | 160,000 |
| Mr. Keung Kwok Cheung | 0.71 | 1,500,000 |
| Mr. Kwok Koon Keung | 0.71 | 500,000 |
| Mr. Lo Wing Ling | 0.71 | 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 30 September 2017, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2017, 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 | 311,769,868 | 31.18% |
| DDIHL | Interest in controlled corporation (Note 1) | 311,769,868 | 31.18% |
| Sparta Assets | Beneficial owner | 26,645,000 | 2.66% |
| | Interest in controlled corporations (Note 2) | 311,769,868 | 31.18% |
| Like Capital Limited | Beneficial owner (Note 3) | 55,009,000 | 5.50% |
| Ethnocentric Investment Limited | Interest in controlled corporation (Note 3) | 55,009,000 | 5.50% |
| Capital VC Limited | Interest in controlled corporation (Note 3) | 55,009,000 | 5.50% |

Notes:

- DDHL is a company incorporated in the BVI and is wholly owned by DDIHL. DDIHL is deemed interested in the shares beneficially owned by DDHL.
- Sparta Assets directly beneficially owned 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 311,769,868 shares indirectly owned by DDIHL (through DDHL).
- Like Capital Limited ("**Like Capital**") is wholly owned by Ethnocentric Investment Limited ("**Ethnocentric**"). Ethnocentric is deemed to be interested in the shares beneficially owned by Like Capital. Ethnocentric is wholly owned by Capital VC Limited ("**Capital VC**"). Capital VC is also deemed to be interested in the shares beneficially owned by Like Capital.

Save as disclosed above, as at the 30 September 2017, 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 BUSINESS

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

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 first quarterly report of the Company dated 5 August 2017, which is required to be disclosed pursuant to the Rule 17.50A(1) of the GEM Listing Rules:

Mr. Ong King Keung

- 1) Resigned as an independent non-executive director of China Candy Holdings Limited (stock code: 8182), a company with its shares listed on the GEM of the Stock Exchange, on 14 September 2017; and
- 2) Resigned as an independent non-executive director of Koala Financial Group Limited (stock code: 8226), a company with its shares listed on the GEM of the Stock Exchange, on 15 September 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. No director has dealt in the shares of the Company during the Reporting Period.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2017.

NON-COMPETITION UNDERTAKING BY DDIHL

DDIHL entered into a non-competition agreement (the "**Agreement**") with the Company on 16 December 2014. Pursuant to the Agreement, DDIHL undertakes that DDIHL and its subsidiaries (other than the 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 of the Company dated 24 December 2014 for details.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board. As at the date of this report, the audit committee comprises of three independent non-executive directors, namely Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Chan Ka Yin.

The unaudited interim results of the Company for the six month ended 30 September 2017 have not been audited by the Company's independent auditor, but have been reviewed by the audit committee members who have provided advice and comments thereon.

By order of the Board

Deson Construction International Holdings Limited
Keung Kwok Cheung

Chief Executive Officer and Executive Director

Hong Kong, 7 November 2017

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