



# 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

**FIRST QUARTERLY REPORT 2019**

## CHARACTERISTICS OF 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.*

## FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2019 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding periods in 2018, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the three months ended 30 June 2019*

		(Unaudited)	
		Three months ended	
		30 June	
		2019	2018
	Notes	HK\$'000	HK\$'000
<b>REVENUE</b>	4	<b>126,648</b>	177,040
Cost of sales		<b>(120,875)</b>	(175,212)
		<hr/>	<hr/>
Gross profit		<b>5,773</b>	1,828
Other income and gains	4	<b>331</b>	228
Fair value gain on investment properties		—	108
Administrative expenses		<b>(8,746)</b>	(7,139)
Other operating income, net		<b>12</b>	—
Finance costs	6	<b>(174)</b>	(917)
		<hr/>	<hr/>
<b>LOSS BEFORE TAX</b>	5	<b>(2,804)</b>	(5,892)
Income tax credit	7	—	36
		<hr/>	<hr/>
<b>LOSS FOR THE PERIOD</b>		<b>(2,804)</b>	(5,856)
		<hr/>	<hr/>
Attributable to:			
Owners of the Company		<b>(3,057)</b>	(5,879)
Non-controlling interests		<b>253</b>	23
		<hr/>	<hr/>
		<b>(2,804)</b>	(5,856)
		<hr/>	<hr/>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic		<b>HK(0.31) cent</b>	HK(0.59) cent
		<hr/>	<hr/>
Diluted		<b>HK(0.31) cent</b>	HK(0.59) cent
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2019

	(Unaudited)	
	Three months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(2,804)</b>	<b>(5,856)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	165	(915)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>165</b>	<b>(915)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(2,639)</b>	<b>(6,771)</b>
Attributable to:		
Owners of the Company	(3,128)	(6,874)
Non-controlling interests	489	103
	<b>(2,639)</b>	<b>(6,771)</b>

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

For the three months ended 30 June 2019

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Issued capital	Share premium	Contribution surplus	Property revaluation reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018 (audited)	25,000	9,381	(5,372)	13,906	1,183	4,390	5,581	84,046	138,115	(2,774)	135,341	
Adjustment on adoption of HKFRS 15, net of tax	—	—	—	—	—	—	—	2,972	2,972	—	2,972	
Restated balance at 1 April 2018	25,000	9,381	(5,372)	13,906	1,183	4,390	5,581	87,018	141,087	(2,774)	138,313	
Profit/(loss) for the period	—	—	—	—	—	—	—	(5,879)	(5,879)	23	(5,856)	
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	(995)	—	—	(995)	80	(915)	
Total comprehensive loss for the period	—	—	—	—	—	(995)	—	(5,879)	(6,874)	103	(6,771)	
Release of revaluation reserve	—	—	—	(122)	—	—	—	122	—	—	—	
At 30 June 2018	25,000	9,381	(5,372)	13,784	1,183	3,395	5,581	81,261	134,213	(2,671)	131,542	
At 1 April 2019 (audited)	25,000	9,381	(5,372)	15,788	—	3,543	5,581	56,401	110,322	(10,609)	99,713	
Profit for the period	—	—	—	—	—	—	—	(3,057)	(3,057)	253	(2,804)	
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	(71)	—	—	(71)	236	165	
Total comprehensive income for the period	—	—	—	—	—	(71)	—	(3,057)	(3,128)	489	(2,639)	
Release of revaluation Reserve	—	—	—	(115)	—	—	—	115	—	—	—	
At 30 June 2019	25,000	9,381	(5,372)	15,673	—	3,472	5,581	53,459	107,194	(10,120)	97,074	

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and 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.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the three months ended 30 June 2019 are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 March 2019.

## 2. BASIS OF PREPARATION (Continued)

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

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

The application of the amendments to HKFRSs in the current period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2018: three) reportable operating segments as follows:

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

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

### 3. OPERATING SEGMENT INFORMATION (Continued)

For the three months ended 30 June

	Construction business		Securities investment		Property investment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>								
Income from external customers	129,224	179,476	(2,714)	(2,476)	138	40	126,648	177,040
Other income and gains	88	182	—	—	—	—	88	182
	<b>129,312</b>	<b>179,658</b>	<b>(2,714)</b>	<b>(2,476)</b>	<b>138</b>	<b>40</b>	<b>126,736</b>	<b>177,222</b>
<b>Segment result:</b>								
Operating profit/(loss)	1,206	(1,345)	(2,714)	(2,476)	111	87	(1,397)	(3,734)
<i>Reconciliation:</i>								
Interest income							243	46
Unallocated expenses							(1,476)	(1,287)
Finance costs							(174)	(917)
Loss before tax							<b>(2,804)</b>	<b>(5,892)</b>
<b>Other segment information:</b>								
Depreciation	192	263	—	—	—	—	192	263

#### Geographical information

##### Revenue from external customers

	(Unaudited)	
	Three months ended 30 June 2019	2018
	HK\$'000	HK\$'000
Hong Kong	101,277	109,668
Mainland China	25,371	67,352
	<b>126,648</b>	<b>177,040</b>

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



#### 4. REVENUE, OTHER INCOME AND GAINS

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

	(Unaudited)	
	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
<b>Revenue from contracts with customers</b>		
Income from the construction contracting and related business	129,224	179,476
<b>Revenue from other sources</b>	(2,714)	(2,476)
Dividend income from equity investments at fair value through profit or loss	—	—
Income from property investment business	138	40
	<hr/> 126,648	<hr/> 177,040
<b>Other income and gains</b>		
Bank interest income	243	46
Gross rental income	—	154
Others	88	182
	<hr/> 331	<hr/> 228

## 4. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers

#### (i) *Disaggregated revenue information*

*For the period ended 30 June 2019*

	HK\$'000
Building construction works	37,336
Electrical and mechanical engineering works	17,462
Fitting-out works	74,426
	<hr/>
Total revenue from contracts with customers transferred over time	129,224
	<hr/>

For the period ended 30 June 2019, the revenue from contracts with customers of HK\$129,224,000 is the same as the amount of income from external customers under the construction business segment.

#### (ii) *Performance obligations*

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

##### *Construction services*

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

## 5. PROFIT/(LOSS) BEFORE TAX

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

	(Unaudited)	
	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Cost of construction contracting	120,875	175,212
Depreciation	192	263
Minimum lease payments under operating leases on land and buildings	858	671
Rental income on investment properties	(138)	(40)
Less: outgoings	9	—
	<hr/>	<hr/>
Net rental income	(129)	(40)
	<hr/>	<hr/>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	7,741	7,268
Pension scheme contributions*	202	357
Less: Amount capitalised	(2,891)	(3,439)
	<hr/>	<hr/>
	5,052	4,186
	<hr/>	<hr/>
Foreign exchange differences, net <sup>^</sup>	(12)	—
	<hr/>	<hr/>

\* At 30 June 2019, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2018: Nil).

<sup>^</sup> These amounts included in "Other operating income, net" on the face of the condensed consolidated statement of profit or loss.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	171	47
Interest on convertible bonds	172	902
Less: Interest capitalised	(169)	(32)
	<hr/>	<hr/>
	174	917
	<hr/>	<hr/>

## 7. INCOME TAX

Hong Kong profits tax had been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the three months ended 30 June 2019 and 2018, 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)	
	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	—	—
Current — Elsewhere		
Charge for the period	—	—
Deferred	—	(36)
	<hr/>	<hr/>
Total tax credit for the period	—	(36)
	<hr/>	<hr/>

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (30 June 2018: 1,000,000,000) in issue during the Reporting Period.

The calculation of diluted loss per share amount is based on the loss 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 loss 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 loss per share attributable to the owners of the Company is based on the following data:

	<b>(Unaudited)</b>	
	<b>Three months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<b>(3,057)</b>	(5,879)
Interest on convertible bonds (note 6)	<b>172</b>	902
	<hr/>	<hr/>
Loss attributable to ordinary equity holders of the Company before the effect of convertible bonds	<b>(2,885)<sup>#</sup></b>	(4,977)
	<hr/>	<hr/>

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

	(Unaudited)	
	Three months ended 30 June	
	2019	2018
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,000,000,000	1,000,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	—*
Convertible bonds	—	103,000,000#
	<u>1,000,000,000</u>	<u>1,103,000,000</u>

\* The share options granted on 3 February 2016 had an anti-dilutive effect on the basic earnings per share and have not been included in the diluted earnings per share calculation for the three months ended 30 June 2018.

# Because the diluted loss per share amounts decrease when taking convertible bonds into account for the three months ended 30 June 2018, the convertible bonds had an anti-dilutive effect on the basic loss per share for this period. Accordingly, they were ignored in the calculation of diluted loss per share in this period.

Therefore, the diluted loss per share amounts for the three months ended 30 June 2018 is based on the loss of HK\$5,879,000 and the weighted average number of ordinary shares in issue of 1,000,000,000.

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2019 (three months ended 30 June 2018: Nil).

## 10. SHARE CAPITAL

### Shares

	<b>30 June 2019 HK\$'000</b>	31 March 2019 HK\$'000
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Authorised:

4,000,000,000 ordinary shares of HK\$0.025 each	<b>100,000</b>	100,000
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Issued and fully paid:

1,000,000,000 ordinary shares of HK\$0.025 each	<b>25,000</b>	25,000
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	<b>Number of shares in issue</b>	<b>Issued capital HK\$'000</b>	<b>Share premium account HK\$'000</b>	<b>Total HK\$'000</b>
At 1 April 2019 and 30 June 2019	<b>1,000,000,000</b>	<b>25,000</b>	<b>9,381</b>	<b>34,381</b>

## 11. EVENTS AFTER THE REPORTING PERIOD

In March 2019, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire share capital of a group which is principally engaged in property holding investment for a consideration of HK\$19,500,000. Those properties are located at Wanchai, Hong Kong with a saleable area of 1,220 square feet. The transaction was completed on 6 August 2019.

As one or more of the relevant percentage ratios calculated pursuant to Rule 19.06 of the GEM Listing Rules in respect of the acquisition exceeds 5% but are less than 25%, the acquisition constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement requirements under the GEM Listing Rules. Please refer to the announcement of the Company dated 11 March 2019 for further details.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The Group's principal businesses in last reporting period 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; (ii) investment in securities, where the Group invests in long term and short term investments in marketable securities; and (iii) property investment in Hong Kong, where the Group acquires properties in Hong Kong and earns rental income.

The Group's turnover for the three months ended 30 June 2019 recorded at approximately HK\$126,648,000 which represented a decrease of 28% from approximately HK\$177,040,000 for the three months ended 30 June 2018. For the construction segment, turnover for the three months ended 30 June 2019 recorded at approximately HK\$129,224,000 which represented a decrease of 28% from approximately HK\$179,476,000 for the three months ended 30 June 2018. For the investment in marketable securities segment, turnover for the three months ended 30 June 2019 recorded at loss of approximately HK\$2,714,000 which represented an increase of 10% from loss of approximately HK\$2,476,000 for the three months ended 30 June 2018. For the property investment segment, turnover for the three months ended 30 June 2019 recorded at approximately HK\$138,000 which represented an increase of 245% from approximately HK\$40,000 for the three months ended 30 June 2018.

#### (i) Construction Segment

##### (a) Building construction works:

For the three months ended 30 June 2019, revenue recorded from this section amounted to approximately HK\$37,336,000 (three months ended 30 June 2018: HK\$28,917,000). The significant increase by 29% was because of the additional turnover recognised for main contractor works for one residential redevelopment works including E&M works at Peak Road House A, Hong Kong which was commenced in January 2018, and more revenue was recognised in the Reporting Period.



**(b) *Electrical and mechanical engineering works:***

For the three months ended 30 June 2019, revenue recorded from this section amounted to approximately HK\$17,462,000 (three months ended 30 June 2018: HK\$53,610,000). The significant decrease by approximately 67% was due to the substantial completion of some projects before 31 March 2019 and therefore less revenue was recognised in this Reporting Period. These projects include: (i) school redevelopment projects at Robinson Road and Berry Path, Hong Kong, (ii) interior renovation works for Sogo Department Store, Causeway Bay, Hong Kong, and (iii) several fire services contracts including maintenance and repair works for fire services installations and emergency repair and replacement of existing fire services system.

**(c) *Fitting-out works:***

For the three months ended 30 June 2019, revenue recorded from this section amounted to approximately HK\$74,426,000 (three months ended 30 June 2018: HK\$96,949,000). The decrease by 23% was due to the completion of several fitting-out works at the PRC before 31 March 2019 and no revenue was recognised in this Reporting Period. These projects include: (i) fitting out works of a toilet at a sports hall at Heibei, the PRC; (ii) fitting out works of an office at Beijing airport; and (iii) fitting out works of an office Beijing.

The above decrease was partly offset by the commencement of the fitting-out works of House A and House C at Stubbs Road, Hong Kong in April 2018 and January 2019 respectively.

## (ii) Investment in Marketable Securities Segment

For the three months ended 30 June 2019, loss recorded from this segment amounted to approximately HK\$2,714,000 (three months ended 30 June 2018: revenue of HK\$2,476,000).

As at 30 June 2019, the Group has not held any listed equity investments (31 March 31 March 2019: HK\$17 million) which are classified as financial assets at fair value through profit or loss.

During the Reporting Period, the Group recorded (i) no unrealized loss on fair value change of listed equity investments (three months ended 30 June 2018: unrealized loss of HK\$2,455,000); and (ii) a realised loss of approximately HK\$2,714,000 (three months ended 30 June 2018: HK\$21,000). Details of the marketable securities are disclosed under the section “**SIGNIFICANT INVESTMENTS**”.

## (iii) Property Investment Segment

For the three months ended 30 June 2019, revenue recorded from this segment amounted to approximately HK\$138,000 (three months ended 30 June 2018: HK\$40,000). It was mainly attributable from rental income earned from the investment properties.

The Group’s existing portfolio consists of commercial properties in Hong Kong which generate rental income. The Group will strengthen its portfolio and its presence at the market.

In March 2019, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire share capital of a group which is principally engaged in property holding investment for a consideration of HK\$19,500,000. Those properties are located at Wanchai, Hong Kong with saleable area of 1,220 square feet. The transaction was completed on 6 August 2019.

Basic loss per share is HK0.31 cents for the period ended 30 June 2019.

## Status of the legal case

As announced in the announcement of the Company dated 21 December 2017, the Group has reported to the Beijing Public Security Bureau a suspected case of internet fraud which involved fraudulent transfers of funds of approximately HK\$22 million (approximately RMB19 million) from the bank account of Beijing Chang-de Architectural Decoration Co., Limited, a 60% owned subsidiary (the “**Beijing Chang-De**”). The matter is currently under the investigation of the Beijing Public Security Bureau. The Group has instructed its legal advisers in Mainland China to issue a letter to seek damages from the PRC bank involved for failure to notify Beijing Chang-De of the irregular internet banking transactions or preventing further payments to be made online, as required under the relevant banking rules and regulations under the PRC laws. As at the date of this report, we are unable to ascertain the recoverability of the funds transferred.

In relation to the above matter, Beijing Chang-De will immediately: (i) establish an investigation committee to investigate and report on the matter; (ii) commence civil proceedings against the personnel involved for professional negligence and misconduct for damages caused while at the same time seek a property preservation order during the proceedings; and (iii) terminate the employment contract of the personnel involved in accordance with the statutory requirements.

On 7 September 2018, a writ of summons was filed to Chaoyang District People’s Court of Beijing Municipality of the PRC.

## Financial review

### Turnover

For the three months ended 30 June 2019, the Group’s turnover amounted to approximately HK\$127 million, decreased by approximately 28% as compared to the last corresponding period. The decrease in turnover was mainly due to the decrease in turnover arising from the projects of the E&M works in Hong Kong and fitting out works in the PRC.

### **Gross profit margin**

Our gross profit increased from approximately HK\$1.8 million for the three months ended 30 June 2018 to approximately HK\$5.8 million for the three months ended 30 June 2019. It represented an increase of approximately HK\$3.9 million or 215%.

During the three months ended 30 June 2019, the gross profit margin was approximately 4.6%, up by 3.6 percentage points as compared to last period's gross profit margin approximately 1%. This was mainly because of the loss incurred for the E&M works in last Reporting Period.

After excluding the portion generating from the investment in marketable securities and property investment segment, the gross profit margin for this Reporting Period was approximately 6.5%, up by 4.1 percentage points as compared to last period's 2.4%.

### **Other income**

Other income increased by approximately HK\$0.1 million or 45% from approximately HK\$0.2 million for the three months ended 30 June 2018 to approximately HK\$0.3 million for the three months ended 30 June 2019. The increase was mainly because of the increase in interest income earned as more fixed deposit was placed during the period.

### **Administrative expenses**

Administrative expenses increased by approximately HK\$1.6 million or 23% from approximately HK\$7.1 million for the three months ended 30 June 2018 to approximately HK\$8.7 million for the three months ended 30 June 2019. The increase was mainly due to the increment of salary under the annual review in this Reporting Period.

### **Finance costs**

Finance costs decreased by approximately HK\$0.7 million or 81% from approximately HK\$0.9 million for the three months ended 30 June 2018 to approximately HK\$0.2 million for the three months ended 30 June 2019. The decrease was because the convertible bonds issued on 18 April 2016 has already been fully redeemed by the Company during the Reporting Period.

### **Contingent liabilities**

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

### **Commitments**

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

### **Charges on group assets**

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK\$21,449,000 (31 March 2019: HK\$21,600,000); and
- (ii) the pledge of the Group's time deposits of HK\$26,350,000 (31 March 2019: HK\$26,328,000).

### **Treasury policies**

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

### **Exchange risk exposure**

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

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

### **Capital structure of the Group**

There was no change in capital structure of the Group during the period ended 30 June 2019.

## Prospect

### (i) *Construction Business*

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 was admitted to the “List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau of the HKSAR” and the Registered General Building Contractor and the Registered Specialist Contractor (Site Formation Works and Foundation Works Categories) under the Buildings Department. 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 able to take an active part in the construction business development.

During the Reporting Period, new projects such as quadrennial term Contract for the maintenance of fire services installations for Drainage Services Department, electrical and fire services installations for construction of two 30-classroom primary school at Queen’s Hill, Fanling, Hong Kong; fitting out works for the factory at Beijing, the PRC. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,552 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 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.

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 after obtaining adequate job reference for construction works, the Group will continue to pursue the following key business strategies: (i) further expand the Group's service scope by application for additional licences, permits or qualifications which may be required; (ii) exercise more caution when tendering for new construction contracts and continue to selectively undertake new contracts; and (iii) further strengthen the Group's construction department through recruiting additional qualified and experienced staff.

## *(ii) Investment in Securities Business*

Regarding the investments in securities business, the Group has set up a Treasury Management Committee ("**Treasury Management Committee**") to implement on the Group's behalf the investment policy and guidelines. The Treasury Management Committee comprises one chairman and two committee members (comprising two directors 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 to generate additional investment return on available funds of the Group from time to time.

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

In view of the recent volatile and unstable condition 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.

## *(iii) Property Investment Business*

In March 2019, the Group has entered into another sale and purchase agreement to acquire two properties through two property holding companies at an aggregate consideration of HK\$19,500,000. These properties are located at Wanchai, Hong Kong with saleable area of 1,220 square feet. The transaction was completed on 6 August 2019.

The Directors, including the independent non-executive Directors, are of the view that the terms of the sale and purchase agreements are fair and reasonable and the acquisitions are in the interests of the Company and the shareholders as a whole.



## SIGNIFICANT INVESTMENTS

During the three months ended 30 June 2019, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$18.9 million and loss recognised in revenue for the amount of HK\$2.7 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/ (loss) HK\$'000
SOHO China Limited	410	Cayman Islands	75	(23.9)
Singamas Container Holdings Limited	716	Hong Kong	113	(16.3)
Shun Wo Group Holdings Limited	1591	Cayman Islands	1,625	(669.6)
Pantronics Holdings Limited	1611	British Virgin Islands	4,714	65.5
Wang Yang Holdings Limited	1735	Cayman Islands	7,224	(1,233.6)
EJE (Hong Kong) Holdings Limited	8101	Cayman Islands	5,068	(836.2)
			<hr/>	
			18,819	(2,714.1)

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

## SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the "**Share Option Scheme**") on 11 August 2015, the Company has adopted the Share Option Scheme. Under the terms of the Share Option Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. The Company had 80,000,000 share options available for issue under the Share Option Scheme, which represented approximately 8% of the issued shares of the Company as at 30 June 2019.

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.

No share option has been granted during the Reporting Period and there was no share option outstanding as at 30 June 2019.

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

As at 30 June 2019 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		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Mr. Kwok Koon Keung <i>(Note)</i>	500	—	500	0.00%
Mr. Ong Chi King <i>(Note)</i>	8,802,000	—	8,802,000	0.88%

*Note:* Each of Mr. Kwok Koon Keung and Mr. Ong Chi King has resigned as an Executive Director of the Company on 29 July 2019.

As at 30 June 2019, 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 June 2019, 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 June 2019, 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

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Energy Luck Limited	Beneficial owner	361,302,082	36.13%
Mr. Wong Kui Shing, Danny	Interest in controlled corporation ( <i>Note</i> )	361,302,082	36.13%

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

Save as disclosed above, at 30 June 2019, 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 headed “**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**

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 30 June 2019.

## **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. 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 three independent non-executive Directors, namely Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna.

The unaudited quarterly results of the Company for the three month ended 30 June 2019 have been reviewed by the audit committee members who have provided advice and comments thereon.

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

Hong Kong, 13 August 2019

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