



# 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

**THIRD QUARTERLY REPORT 2019**

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

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

## THIRD 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 nine months ended 31 December 2019 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2019

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>REVENUE</b>	4	<b>200,756</b>	146,326	<b>507,714</b>	503,446
Cost of sales		<b>(186,477)</b>	(140,020)	<b>(476,479)</b>	(489,200)
Gross profit		<b>14,279</b>	6,306	<b>31,235</b>	14,246
Other income and gains	4	<b>677</b>	164	<b>1,633</b>	3,057
Fair value gain on investment properties		—	639	—	747
Administrative expenses		<b>(10,703)</b>	(10,070)	<b>(28,323)</b>	(26,103)
Other operating income/(expenses), net		<b>736</b>	(4,896)	<b>901</b>	(4,637)
Finance costs	6	<b>(18)</b>	(947)	<b>(201)</b>	(2,824)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>4,971</b>	(8,804)	<b>5,245</b>	(15,514)
Income tax expense	7	<b>(346)</b>	(106)	<b>(1,121)</b>	(84)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>4,625</b>	(8,910)	<b>4,124</b>	(15,598)
Attributable to:					
Owners of the Company		<b>4,889</b>	(6,520)	<b>3,736</b>	(13,128)
Non-controlling interests		<b>(264)</b>	(2,390)	<b>388</b>	(2,470)
		<b>4,625</b>	(8,910)	<b>4,124</b>	(15,598)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8				
Basic		<b>HK0.49 cent</b>	HK(0.65) cent	<b>HK0.37 cent</b>	HK(1.31) cents
Diluted		<b>HK0.49 cent</b>	HK(0.65) cent	<b>HK0.37 cent</b>	HK(1.31) cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2019

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>4,625</b>	<b>(8,910)</b>	<b>4,124</b>	<b>(15,598)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	—	799	379	(611)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of leasehold land and buildings	—	2,612	—	2,612
Income tax effect	—	(431)	—	(431)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	—	2,181	379	2,181
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>4,625</b>	<b>2,980</b>	<b>4,503</b>	<b>1,570</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>4,625</b>	<b>(5,930)</b>	<b>4,503</b>	<b>(14,028)</b>
Attributable to:				
Owners of the Company	4,889	(3,861)	3,560	(12,010)
Non-controlling interests	(264)	(2,069)	943	(2,018)
	<b>4,625</b>	<b>(5,930)</b>	<b>4,503</b>	<b>(14,028)</b>

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

For the nine months ended 31 December 2019

	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Restated balance at 1 April 2018	25,000	9,381	(5,372)	13,906	1,183	4,390	5,581	69,721	123,790	(6,100)	117,690
Loss for the period	—	—	—	—	—	—	—	(13,128)	(13,128)	(2,470)	(15,598)
Other comprehensive income/ (loss) for the period:											
Surplus on revaluation of leasehold land and buildings, net of tax	—	—	—	2,181	—	—	—	—	2,181	—	2,181
Exchange differences on translation of foreign operations	—	—	—	—	—	(1,063)	—	—	(1,063)	452	(611)
Total comprehensive income/ (loss) for the period	—	—	—	2,181	—	(1,063)	—	(13,128)	(12,010)	(2,018)	(14,028)
Release of revaluation reserve	—	—	—	(310)	—	—	—	310	—	—	—
At 31 December 2018	25,000	9,381	(5,372)	15,777	1,183	3,327	5,581	56,903	111,780	(8,118)	103,662
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	—	—	—	—	—	—	—	3,736	3,736	388	4,124
Other comprehensive income/ (loss) for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	(176)	—	—	(176)	555	379
Total comprehensive income/(loss) for the period	—	—	—	—	—	(176)	—	3,736	3,560	943	4,503
Release of revaluation reserve	—	—	—	(345)	—	—	—	344	(1)	—	(1)
At 31 December 2019	25,000	9,381*	(5,372)*	15,443*	—*	3,367*	5,581*	60,481*	113,881	(9,666)	104,215

\* These reserve accounts comprise the consolidated reserves of HK\$88,881,000 (as at 31 March 2019: HK\$85,322,000) in the condensed consolidated statement of financial position as at 31 December 2019.

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Deson Construction International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) 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 Group is principally involved in (i) the construction business, as a main contractor, interior 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 businesses; (ii) investment in securities; and (iii) property investment.

## 2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the 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 applicable disclosure requirement of Chapter 18 of the Rules Governing the Listing of Securities on 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, financial assets at fair value through profit or loss, which have been measured at valuation or fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the Group’s annual report for the year ended 31 March 2019.

## 2. BASIS OF PREPARATION (Continued)

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 are consistent with those used in the audited consolidated financial statements of the Group for the period ended 31 March 2019, except as described below:

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:

- 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;
- the securities investment segment is engaged in investment in securities; and
- 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, gain on disposal of subsidiaries, 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.

	(Unaudited) Three months ended 31 December 2019				(Unaudited) Nine months ended 31 December 2019			
	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Property investment HK\$'000	Total HK\$'000	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment revenue:</b>								
Income from external customers	193,901	6,795	60	200,756	503,888	3,516	310	507,714
Other income and gains	239	–	–	239	647	–	–	647
	<u>194,140</u>	<u>6,795</u>	<u>60</u>	<u>200,995</u>	<u>504,535</u>	<u>3,516</u>	<u>310</u>	<u>508,361</u>
<b>Segment results</b>								
Operating profit/(loss)	(1,342)	6,851	(77)	5,432	4,915	3,572	105	8,592
<i>Reconciliation:</i>								
Interest income				224				772
Gain on disposal of subsidiaries				214				214
Unallocated expenses				(881)				(4,132)
Finance costs				(18)				(201)
Profit before tax				<u>4,971</u>				<u>5,245</u>
<b>Other segment information:</b>								
Loss on disposal of items of property, plant and equipment	–	–	–	–	32	–	–	32
Reversal of impairment of accounts receivables	(707)	–	–	(707)	(892)	–	–	(892)
Depreciation	241	–	–	241	672	–	–	672



### 3. OPERATING SEGMENT INFORMATION (Continued)

	(Unaudited) Three months ended 31 December 2018				(Unaudited) Nine months ended 31 December 2018			
	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Property investment HK\$'000	Total HK\$'000	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment revenue:</b>								
Income from external customers	147,052	(864)	138	146,326	507,390	(4,260)	316	503,446
Other income and gains	70	—	—	70	2,881	—	—	2,881
	<u>147,122</u>	<u>(864)</u>	<u>138</u>	<u>146,396</u>	<u>510,271</u>	<u>(4,260)</u>	<u>316</u>	<u>506,327</u>
<b>Segment results</b>								
Operating profit/(loss)	(6,410)	(864)	135	(7,139)	(5,810)	(4,260)	335	(9,735)
<i>Reconciliation:</i>								
Interest income				94				176
Unallocated expenses				(812)				(3,131)
Finance costs				(947)				(2,824)
Loss before tax				<u>(8,804)</u>				<u>(15,514)</u>
<b>Other segment information:</b>								
Fair value gain on investment properties	—	—	(639)	(639)	—	—	(747)	(747)
Loss on disposal of items of property, plant and equipment	9	—	—	9	9	—	—	9
Reversal of impairment of accounts receivables	—	—	—	—	(259)	—	—	(259)
Depreciation	188	—	—	188	626	—	—	626

#### Geographical information of income from external customers

	(Unaudited) Three months ended 31 December 2019		(Unaudited) Nine months ended 31 December 2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>127,336</b>	104,499	<b>345,960</b>	356,508
Mainland China	<b>73,420</b>	41,827	<b>161,754</b>	146,938
	<u><b>200,756</b></u>	<u>146,326</u>	<u><b>507,714</b></u>	<u>503,446</u>

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; gains on and dividend income from investment in securities and rental income from property investment.

An analysis of the Group's revenue is as follows:

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Revenue from contracts with customers</b>				
Income from the construction contracting and related businesses	<b>193,901</b>	147,052	<b>503,888</b>	507,390
<b>Revenue from other sources</b>				
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	<b>6,795</b>	(864)	<b>3,516</b>	(4,260)
Gross rental income from property investment business	<b>60</b>	138	<b>310</b>	316
	<b>200,756</b>	146,326	<b>507,714</b>	503,446

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

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	(Unaudited)		(Unaudited)	
	Three months ended 31 December 2019 HK\$'000	2018 HK\$'000	Nine months ended 31 December 2019 HK\$'000	2018 HK\$'000
Building construction works	93,182	50,657	176,915	125,845
Electrical and mechanical engineering works	22,049	47,293	76,263	142,018
Interior fitting-out works	78,670	49,102	250,710	239,527
Total revenue from contracts with customers transferred over time	193,901	147,052	503,888	507,390

For the nine months ended 31 December 2019, the revenue from contracts with customers of HK\$503,888,000 (nine months ended 31 December 2018: HK\$507,390,000) 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.

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

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

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other income and gains</b>				
Bank interest income	224	94	772	176
Gain on disposal of subsidiaries (note 11)	214	—	214	—
Others	239	70	647	2,881
	<b>677</b>	<b>164</b>	<b>1,633</b>	<b>3,057</b>

## 5. PROFIT/(LOSS) BEFORE TAX

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Cost of construction				
contracting	<b>186,477</b>	172,949	<b>476,479</b>	522,129
Depreciation	<b>241</b>	188	<b>672</b>	626
Minimum lease payments under operating leases on land and buildings	<b>850</b>	656	<b>2,551</b>	1,987
Rental income on investment properties	<b>(60)</b>	(138)	<b>(310)</b>	(316)
Less: outgoings	<b>14</b>	13	<b>34</b>	16
Net rental income	<b>(46)</b>	(125)	<b>(276)</b>	(300)
Employee benefit expense (including directors' remuneration):				
Wages, salaries and allowances	<b>9,590</b>	10,172	<b>25,070</b>	25,371
Pension scheme contributions*	<b>211</b>	125	<b>677</b>	683
Less: Amount capitalised	<b>(2,958)</b>	(3,596)	<b>(8,470)</b>	(9,024)
	<b>6,843</b>	6,701	<b>17,277</b>	17,030
Loss on disposal of items of property, plant and equipment <sup>^</sup>	—	9	<b>32</b>	9
Foreign exchange differences, net <sup>^</sup>	<b>(29)</b>	(43)	<b>(41)</b>	(43)
Reversal of impairment of accounts receivable, net <sup>^</sup>	<b>(707)</b>	—	<b>(892)</b>	(259)

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

<sup>^</sup> These amounts are 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 31 December		Nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	108	231	331	346
Interest on convertible bonds	—	930	172	2,761
Less: Interest capitalised	(90)	(214)	(302)	(283)
	<b>18</b>	<b>947</b>	<b>201</b>	<b>2,824</b>

## 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 nine months ended 31 December 2018 and 2019, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during the 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 31 December		Nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current — Hong Kong				
Charge for the period	346	—	1,121	—
Deferred	—	106	—	84
Total tax charge for the period	<b>346</b>	<b>106</b>	<b>1,121</b>	<b>84</b>

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares is 1,000,000,000 shares (31 December 2018: 1,000,000,000 shares) in issue during the period.

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

	(Unaudited) Three months ended 31 December 2019 HK\$'000		(Unaudited) Nine months ended 31 December 2019 HK\$'000	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Earnings</b>				
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	4,889	(6,520)	3,736	(13,128)
Interest on convertible bonds (note 6)	—	930	172	2,761
Profit/(loss) attributable to ordinary equity holders of the Company before the effect of convertible bonds	4,889	(5,590) <sup>#</sup>	3,908 <sup>#</sup>	(10,367) <sup>#</sup>

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2019	2018	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	<b>1,000,000,000</b>	1,000,000,000	<b>1,000,000,000</b>	1,000,000,000
Effect of dilution — weighted average number of ordinary shares:				
Share options*	—	—	—	—
Convertible bonds	—	103,000,000#	—	103,000,000#
	<b>1,000,000,000</b>	1,103,000,000	<b>1,000,000,000</b>	1,103,000,000

\* The share options granted on 3 February 2016 had an anti-dilutive effect on the basic earnings/(loss) per share and have not been included in the diluted earnings/(loss) per share calculation for the three months and nine months ended 31 December 2018.

# Because the diluted earnings/(loss) per share amounts increase/(decrease) when taking convertible bonds into account for the nine months ended 31 December 2019 and the three months and nine months ended 31 December 2018, the convertible bonds had an anti-dilutive effect on the basic earnings/(loss) per share for these periods. Accordingly, they were ignored in the calculation of diluted earnings/(loss) per share in these periods. Therefore, (i) the diluted earnings per share amount for the nine months ended 31 December 2019 is based on the profit of HK\$3,736,000; and (ii) the diluted loss per share amounts for the three months ended 31 December 2018 and nine months ended 31 December 2018 are based on the loss of HK\$6,520,000 and loss of HK\$13,128,000, respectively and the weighted average number of ordinary shares in issue of 1,000,000,000 shares and 1,000,000,000 shares, respectively.



## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2019 (nine months ended 31 December 2018: Nil).

## 10. SHARE CAPITAL

	(Unaudited) 31 December 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000		
<b>Authorised:</b>				
4,000,000,000 ordinary shares of HK\$0.025 each	<b>100,000</b>	100,000		
<b>Issued and fully paid:</b>				
1,000,000,000 ordinary shares of HK\$0.025 each	<b>25,000</b>	25,000		
	<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 31 December 2019	<b>1,000,000,000</b>	<b>25,000</b>	<b>9,381</b>	<b>34,381</b>

## 11. DISPOSAL OF SUBSIDIARIES

On 24 October 2019, the Group entered into a sale and purchase agreement with an independent third-party buyer to dispose of Rosy Beauty Investments Limited and its subsidiary, Golden Kindex Limited (collectively the “**Disposal Group**”), at a consideration of HK\$10,600,000. The disposal was completed on 22 November 2019.

	HK\$'000
Net assets of the Disposal Group disposed of:	
Investment properties	10,400
Prepayments, deposits and other receivables	2
Deferred tax liabilities	(16)
	<hr/>
	10,386
Gain on disposal of subsidiaries	214
	<hr/>
	10,600
	<hr/>
Satisfied by:	
Cash and cash equivalents	10,600
	<hr/>

## 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 People's Republic of China (the "PRC") and Macau where it provides one-stop comprehensive services with the following three major types of services: (a) building construction works; (b) electrical and mechanical engineering ("E&M") works; and (c) alterations, addition, renovation, refurbishment and fitting-out works ("Interior Fitting-out works"); and (ii) investment in securities, where the Group invests in long term and short term investment 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 revenue for the nine months ended 31 December 2019 was approximately HK\$507,714,000 which represented an increase of 1% from approximately HK\$503,446,000 for the nine months ended 31 December 2018. For the construction business segment, revenue for the nine months ended 31 December 2019 recorded at approximately HK\$503,888,000 which represented a decrease of 1% from approximately HK\$507,390,000 for the nine months ended 31 December 2018. For the securities investment segment, revenue for the nine months ended 31 December 2019 recorded of approximately HK\$3,516,000 which represented an increase of 183% from a loss of approximately HK\$4,260,000 for the nine months ended 31 December 2018. For the property investment business segment, revenue for the nine months ended 31 December 2019 recorded at approximately HK\$310,000 which represented a decrease of 2% from approximately HK\$316,000 for the nine months ended 31 December 2018.

### (i) Construction Business Segment

#### (a) Building construction works:

For the nine months ended 31 December 2019, revenue recorded from this section amounted to approximately HK\$176,915,000 (nine months ended 31 December 2018: HK\$125,845,000). The increase of 41% was mainly due to the main contractor works for the residential redevelopment works including E&M works at Peak Road House A, Hong Kong which was commenced in January 2018, and additional revenue was recognised in the Reporting Period.

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

For the nine months ended 31 December 2019, revenue recorded at this section amounted to approximately HK\$76,263,000 (nine months ended 31 December 2018: HK\$142,018,000). The significant decrease by approximately 46% was due to the substantial completion of some projects before 31 March 2019 and therefore less revenue was recognised in the Reporting Period. These projects include: (i) school redevelopment projects at Robinson Road and Breezy 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 the fire services installations and emergency repair and replacement of existing fire services system.

**(c) Interior fitting-out works:**

For the nine months ended 31 December 2019, revenue recorded at this section amounted to approximately HK\$250,710,000 (nine months ended 31 December 2018: HK\$239,527,000). The increase by 5% was mainly due to the commencement of the interior fitting-out works at House A and House C at Stubbs Road, Hong Kong in April 2018 and January 2019 respectively which had generated more revenue in the Reporting Period.

The above increase was partly offset by the interior fitting-out works contract of residential house at Henderson Road, Hong Kong which was almost completed in March 2019 and not much revenue was recognised in the Reporting Period.

**(ii) Securities Investment Segment**

For the nine months ended 31 December 2019, gain recorded from this segment amounted to approximately HK\$3,516,000 (nine months ended 31 December 2018: loss of HK\$4,260,000).

As at 31 December 2019, the Group managed a portfolio of listed equity investments with fair value of approximately HK\$37 million (31 March 2019: HK\$22 million) which are classified as financial assets at fair value through profit or loss.

During the Reporting Period, the Group recorded (i) an unrealised gain, net on fair value change of listed equity investments of approximately HK\$4,525,000 (nine months ended 31 December 2018: unrealised loss of HK\$4,206,000); and (ii) a realised loss, net of approximately HK\$1,009,000 (nine months ended 31 December 2018: realised loss of HK\$54,000). Details of the marketable securities are disclosed under the section “**SIGNIFICANT INVESTMENTS**”.

### (iii) Property Investment Business Segment

For the nine months ended 31 December 2019, revenue recorded from this segment amounted to approximately HK\$310,000 (nine months ended 31 December 2018: HK\$316,000). It was mainly attributable to rental income earned from the investment properties.

The Group's existing portfolio consists of a commercial property in Hong Kong which generates rental income. In view of the recent volatility in the property market, the Board will adopt cautious measures to manage the Group's portfolio.

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 in Wanchai, Hong Kong with saleable area of 1,220 square feet. The transaction was completed on 6 August 2019.

In October 2019, the Group entered into a sale and purchase agreement with a third party to dispose of the entire share capital of Rosy Beauty Investments Limited and its subsidiaries (the "**Disposal Group**") which is principally engaged in property holding investment for a consideration of HK\$10,600,000. The property is located in Wanchai, Hong Kong with a saleable area of 681 square feet. The Disposal Group was previously acquired in June 2018 at a consideration of HK\$10,300,000. The transaction was completed on 22 November 2019.

Due to (i) the increase in the revenue recorded from the building construction work caused by the main contractor works for one residential redevelopment works including E&M works at Peak Road House A, Hong Kong; (ii) the improvement of the gross profit margin due to (a) loss incurred for the E&M works in the last Reporting Period; and (b) additional profit deriving from the main contractor contracts for residential houses A and B including E&M works at Peak Road, Hong Kong; and (iii) the increase in gain recorded from the investment in securities segment, the net gain attributable to owners of the Company for the Reporting Period is approximately HK\$3,736,000 as compared with the net loss attributable to owners of the Company which amounted to approximately HK\$13,128,000 for the nine months ended 31 December 2018.

Basic earnings per share is HK0.37 cent for the nine months ended 31 December 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 has immediately: (i) established an investigation committee to investigate and report on the matter; (ii) commenced 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) terminated 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**

### ***Revenue***

For the nine months ended 31 December 2019, the Group’s revenue amounted to approximately HK\$508 million, increased by approximately 1% as compared to the last period. It was due to the slight increase in revenue arising from the projects of E&M works and interior fitting-out works.

### ***Gross profit margin***

Our gross profit increased by approximately HK\$17 million or 119%, from approximately HK\$14.2 million for the nine months ended 31 December 2018 to approximately HK\$31.2 million for the nine months ended 31 December 2019.

During the nine months ended 31 December 2019, the gross profit margin was approximately 6.2%, improved by 3.4% as compared to last period of 2.8%. The improvement of gross profit was mainly (i) loss incurred for the E&M works in last Reporting Period, and (ii) additional profit deriving from the main contractor contracts for residential houses A and B including E&M works at Peak Road, Hong Kong. House B main contract is through an unincorporated company with a reputable contractor company in Hong Kong, where the Group has 30% participation.

After excluding the portion generating from the securities investment segment and the property investment business segment, the gross profit margin for the Reporting Period was approximately 5.4%, up by 1.8% as compared to last period's 3.6%.

### ***Other income***

Other income decreased significantly by approximately HK\$1.4 million or 47% from approximately HK\$3,057,000 for the nine months ended 31 December 2018 to approximately HK\$1,633,000 for the nine months ended 31 December 2019. The decrease was mainly due to a bad debt recovery from a winding up debtor recorded in the last reporting period.

### ***Administrative expenses***

Administrative expenses increased slightly by approximately HK\$2.2 million or approximately 8.5% from approximately HK\$26.1 million for the nine months ended 31 December 2018 to approximately HK\$28.3 million for the nine months ended 31 December 2019. The slight increase was mainly because of the increase in operating lease rentals for land and buildings.

### ***Finance costs***

Finance costs decreased by approximately HK\$2.6 million or 93% from approximately HK\$2.8 million for the nine months ended 31 December 2018 to approximately HK\$0.2 million for the nine months ended 31 December 2019. The decrease was mainly due to the maturity of the convertible bonds in April 2019.

### ***Dividend***

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2019 (nine months ended 31 December 2018: Nil).

### ***Liquidity and financial resources***

The Group continued to maintain a suitable liquid position. As at 31 December 2019, the Group had cash and cash equivalents of HK\$155,698,000 (31 March 2019: HK\$75,327,000) mainly in Hong Kong dollar and Renminbi. As at 31 December 2019, the Group had total assets of HK\$444,689,000 (31 March 2019: HK\$415,118,000). The Group's current ratio as at 31 December 2019 was 1.16 compared to 1.19 at 31 March 2019.

As at 31 December 2019, the gearing ratio for the Group is 1% (31 March 2019: 1%). It was calculated based on the non-current liabilities of HK\$1,381,000 (31 March 2019: HK\$1,397,000) and long term capital (equity and non-current liabilities) of HK\$105,596,000 (31 March 2019: HK\$101,110,000).

### ***Capital expenditure***

The Group's total capital expenditure for the nine months ended 31 December 2019 was approximately HK\$19,555,000, which was mainly used in the purchase of items of property, plant and equipment.

### ***Contingent liabilities***

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

### ***Commitments***

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

### ***Charges on group assets***

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\$21,148,000 (31 March 2019: HK\$21,600,000); and
- (ii) the pledge of the Group's deposits of HK\$17,064,000 (31 March 2019: HK\$26,328,000).

### ***Treasury policies***

The Directors will continue to follow a prudent policy in managing its cash balances and 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 the 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 is no change in capital structure of the Group during the period ended 31 December 2019.

## **Prospects**

### **(i) Construction Business**

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

With its proven track records and adequate expertise in the main contracting business, the Group was admitted to the "List of Approved Contractors for Public Works under Group C of the Building Category under Development Bureau of the Government of the HKSAR" and the Registered General Building Contractor, Minor Works 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". In the E&M works, the Group was admitted to 11 categories of the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Development Bureau of the Government of the HKSAR" and the Registered Specialist Contractor (Ventilation) under Building Department. The Group is able to take an active part in the construction business development.

During the Reporting Period, new projects such as demolition and foundation works of a residential house at Bowen Road, quadrennial term contract for maintenance of fire services installations for Drainage Services Department, electrical and fire services installations for construction of two 30-classroom primary schools at Queen's Hill, Fanling, replacement of fire services system at

Cheung Tsing Tunnel, term contract for building services installation works for SOGO Department Store for 2 years, mechanical ventilation and air conditioning installation works for the proposed residential & commercial development at Catchick Street, Hong Kong; fitting out works for the factory at Beijing, the PRC were secured. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$1,590 million.

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. Also, it is clear that we have been facing an uncertain environment since June 2019, it is therefore important that we continue to exercise prudence in deploying capital and deepen the co-operation we enjoy with our business partners.

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

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

Despite 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 volatility 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 a 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 in Wanchai, Hong Kong with a saleable area of 1,220 square feet. The transaction was completed on 6 August 2019.

In October 2019, the Group has entered into another sale and purchase agreement with a third party to dispose of the entire share capital of the Disposal Group which is principally engaged in property holding investment for a consideration of HK\$10,600,000. The property is located in Wanchai, Hong Kong with a saleable area of 681 square feet. The Disposal Group was previously acquired in June 2018 at a consideration of HK\$10,300,000. The transaction was completed on 22 November 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 and disposal are in the interests of the Group and the shareholders of the Company as a whole.

## SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group held approximately HK\$37 million financial assets at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock/fund code	Place of incorporation	Unrealised fair value gain/(loss) HK\$'000	Market value HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets of the Group %
<b>Listed equity investments</b>							
Hands Form Holdings Limited	1	1920	Cayman Islands	(124.3)	4,664.8	12.5	4.48
Eternity Technology Holdings Limited	2	1725	Cayman Islands	2,442.4	4,948.6	13.2	4.75
EJE (Hong Kong) Holdings Limited	3	8101	Cayman Islands	(221.2)	4,331.2	11.6	4.16
Orange Tour Cultural Holdings Limited	4	8627	Cayman Islands	2,086	2,988.2	8.0	2.87
Ruicheng (China) Media Group Limited	5	1640	Cayman Islands	570.8	1,200	3.2	1.15
Hong Kong Education (Int'l) Investments Limited	6	1082	Cayman Islands	237.4	4,320	11.5	4.15
Ban Loong Holdings Limited	7	30	Bermuda	(167.3)	2,640	7.1	2.53
Individual investment less than 1% of net assets the Group				(158)	4,480.6	11.9	4.30
				4,665.8	29,573.4	79.0	28.39
<b>Fund investments</b>							
JPMorgan Asian Total Return Bond (Mth)	8	HK0000102936	Hong Kong	(84.9)	3,915.1	10.5	3.76
AB FCP I — American Income Portfolio (At USD)	9	LU0157308031	Luxembourg	(56.2)	3,943.8	10.5	3.78
				(141.1)	7,858.9	21.0	7.54
				4,524.7	37,432.3	100.0	35.92

Notes:

1. Hands Form Holdings Limited is principally engaged in provision of wet trades works (including plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works) and other wet trades related ancillary works in Hong Kong. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$92,306,000 as at 30 June 2019.
2. Eternity Technology Holdings Limited is principally engaged in the business of electronics manufacturing services. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately RMB227,074,000 as at 30 June 2019.
3. EJE (Hong Kong) Holdings Limited is principally engaged (i) manufacture of custom-made furniture; (ii) property investment; (iii) securities investment; (iv) money lending; and (v) the design, manufacture and sale of mattress and soft bed products. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$279,813,000 as at 30 September 2019.
4. Orange Tour Cultural Holding Limited is principally engaged in the provision of event management services and design and production services. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$46,579,000 as at 31 May 2019.
5. Ruicheng (China) Media Group Limited is principally engaged in the provision of advertising services. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$93,422,000 as at 30 April 2019.
6. Hong Kong Education (Int'l) Investments Limited is principally engaged in the provision of private educational services, investment in securities and money lending business. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$288,256,000 as at 30 June 2019.
7. Ban Loong Holdings Limited is principally engaged in money lending business and trading of goods and commodities. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$776,107,000 as at 30 September 2019.
8. The investment objective of the fund is to achieve a competitive total return, consisting of capital growth and regular dividend income, through an actively managed portfolio investing primarily in Asian bonds and other debt securities.

9. The portfolio seeks to provide a high level of current income consistent with preservation of capital by investing in a diversified portfolio of U.S. dollar-denominated fixed income securities. The portfolio invests solely in U.S. dollar-denominated fixed income securities, including investment grade and high yield, non-investment grade securities of issuers domiciled within and outside the U.S.

During the nine months ended 31 December 2019, the Group disposed of some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$35.0 million and loss recognised in revenue for the amount of HK\$1.0 million. Details of the transactions are as follows:

	<b>Stock code</b>	<b>Place of incorporation</b>	<b>Sales proceeds</b> HK\$'000	<b>Realised gain/(loss)</b> HK\$'000
Shun Wo Group Holdings Limited	1591	Cayman Islands	1,625	(669.6)
Wang Yang Holdings Limited	1735	Cayman Islands	7,224	(1,233.6)
EJE (Hong Kong) Holdings Limited	8101	Cayman Islands	5,068	(836.2)
Eternity Technology Holdings Limited	1725	Cayman Islands	1,664	780.4
Sprocomm Intelligence Limited	1401	Cayman Islands	3,797	908.3
Investment with individual realised gain/(loss) less than HK\$500,000			15,630	41.9
			35,008	(1,008.8)

In view of the recent volatility 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 "**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 31 December 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 31 December 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 31 December 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:

### 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 (Note)	500	—	500	0.00%

Note: Mr. Kwok Koon Keung has resigned as an executive Director of the Company on 29 July 2019.

As at 31 December 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 31 December 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 31 December 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:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Energy Luck Limited	Beneficial owner	361,302,082	36.13%
Mr. Wong Kui Shing, Danny	Interest in controlled corporation (Note)	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. By virtue of the SFO, Mr. Wong Kui Shing, Danny is deemed to be interested in the shares beneficially owned by Energy Luck Limited.

Save as disclosed above, as at the 31 December 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 "**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.

## 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 nine months ended 31 December 2019.

## DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

During the Reporting Period, the changes in the information of the Directors and chief executives of the Company as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are as follows:-

- (i) Mr. Hung Kenneth appointed as an executive Director with effect from 29 July 2019;
- (ii) Ms. Lau Po Yee appointed as an executive Director with effect from 29 July 2019;
- (iii) Mr. Wong Yuk Lun Alan appointed as an independent non-executive Director of the Company with effect from 29 July 2019;
- (iv) Mr. Lam Wai Hung appointed as an independent non-executive Director with effect from 29 July 2019;
- (v) Ms. Au Shui Ming Anna appointed as an independent non-executive Director with effect from 29 July 2019;
- (vi) Mr. Keung Kwok Cheung ("**Mr. Keung**") resigned as an executive Director, the chief executive officer with effect from 29 July 2019. Mr. Keung remains as a director in the operating subsidiaries of the Group;

- (vii) Mr. Kwok Koon Keung (“**Mr. Kwok**”) resigned as an executive Director and the chief executive officer of the Company with effect from 29 July 2019. Mr. Kwok remains as a director in the operating subsidiaries of the Group;
- (viii) Mr. Lo Wing Ling (“**Mr. Lo**”) resigned as an executive Director with effect from 29 July 2019. Mr. Lo remains as a director in the operating subsidiaries of the Group;
- (ix) Mr. Ong Chi King (“**Mr. Ong**”) resigned as an executive Director with effect from 29 July 2019. Mr. Ong remains as a director in the operating subsidiaries of the Group;
- (x) Mr. Tjia Boen Sien resigned as a non-executive Director with effect from 29 July 2019;
- (xi) Mr. Ong King Keung resigned as a non-executive Director with effect from 29 July 2019;
- (xii) Mr. Lee Tho Siem resigned as an independent non-executive Director, with effect from 29 July 2019;
- (xiii) Mr. Cheung Ting Kee resigned as an independent non-executive Director with effect from 29 July 2019; and
- (xiv) Mr. Chan Ka Yin resigned as an independent non-executive Director with effect from 29 July 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 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 to 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 "**Audit Committee Members**").

The unaudited third quarterly results of the Company for the nine months ended 31 December 2019 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.

## EVENT AFTER THE REPORTING PERIOD

In January 2020, the Group acquired a company which holds the money lenders licence in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) at a consideration of HK\$400,000 and commenced its money lending business since then. The Directors consider that the Group would benefit from diversifying its business scope with a view to broaden the Group's revenue base and achieve better return for the shareholders of the Company, in order to enhance the capital use of the Group as well as the interests of the shareholders of the Company.

The Board is not aware of any other material event after the end of the Reporting Period and up to the date of this report that requires disclosure.

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

Hong Kong, 10 February 2020

*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.*