



# 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 2015

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

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

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

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

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

### 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 2015 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2014, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2015

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>	3	<b>245,500</b>	209,666	<b>615,525</b>	579,426
Cost of sales		<b>(231,853)</b>	(200,468)	<b>(581,205)</b>	(545,394)
Gross profit		<b>13,647</b>	9,198	<b>34,320</b>	34,032
Other income	3	<b>552</b>	514	<b>1,354</b>	2,014
Fair value gain on investment properties		—	—	—	125
Administrative expenses		<b>(7,046)</b>	(15,596)	<b>(22,612)</b>	(38,060)
Other operating income/(expenses), net		—	(11)	<b>(9)</b>	356
Finance costs	5	<b>(60)</b>	(36)	<b>(311)</b>	(83)
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	<b>7,093</b>	(5,931)	<b>12,742</b>	(1,616)
Income tax expense	6	<b>(1,059)</b>	(299)	<b>(1,584)</b>	(2,524)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>6,034</b>	(6,230)	<b>11,158</b>	(4,140)
Attributable to:					
Owners of the Company		<b>4,578</b>	(5,175)	<b>10,212</b>	(3,709)
Non-controlling interests		<b>1,456</b>	(1,055)	<b>946</b>	(431)
		<b>6,034</b>	(6,230)	<b>11,158</b>	(4,140)
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>					
Basic and diluted	7	<b>0.46</b>	(0.52)	<b>1.02</b>	(0.37)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2015

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>6,034</b>	(6,230)	<b>11,158</b>	(4,140)
<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	<b>(1,355)</b>	(344)	<b>(1,958)</b>	27
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of leasehold land and buildings	—	—	—	8,405
Income tax effect	—	—	—	(1,387)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	—	—	—	7,018
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>(1,355)</b>	(344)	<b>(1,958)</b>	7,045
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>4,679</b>	(6,574)	<b>9,200</b>	2,905
Attributable to:				
Owners of the Company	<b>3,480</b>	(5,462)	<b>8,600</b>	3,336
Non-controlling interests	<b>1,199</b>	(1,112)	<b>600</b>	(431)
	<b>4,679</b>	(6,574)	<b>9,200</b>	2,905

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2015

	Attributable to owners of the Company											
	Issued capital	Share premium	Contribution surplus	Property revaluation reserve	Merger reserve	Exchange fluctuation reserve	Reserve funds	Retained profits/ (accumulated losses)	Proposed final dividend	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014 (audited)	—	—	—	111,542	40,000	5,218	4,795	84,386	—	245,941	5,823	251,764
Loss for the period	—	—	—	—	—	—	—	(3,709)	—	(3,709)	(431)	(4,140)
Other comprehensive income for the period:												
Surplus on revaluation of leasehold land and buildings, net of tax	—	—	—	7,018	—	—	—	—	—	7,018	—	7,018
Exchange differences on translation of foreign operations	—	—	—	—	—	27	—	—	—	27	—	27
Total comprehensive income/(loss) for the period	—	—	—	7,018	—	27	—	(3,709)	—	3,336	(431)	2,905
Release of revaluation reserve upon disposal of leasehold land and buildings	—	—	—	(123,126)	—	—	—	123,126	—	—	—	—
Release of deferred tax liability upon disposal of leasehold land and buildings	—	—	—	19,681	—	—	—	—	—	19,681	—	19,681
Release of revaluation reserve	—	—	—	(1,646)	—	—	—	1,646	—	—	—	—
Transfer of reserve	—	—	—	—	—	—	786	(786)	—	—	—	—
Capital contribution from a pre-listing investor	—	—	—	—	12,128	—	—	—	—	12,128	—	12,128
Issue of new shares pursuant to the Reorganisation	17,500	—	(5,372)	—	(52,128)	—	—	—	—	(40,000)	—	(40,000)
Special dividend	—	—	—	—	—	—	—	(235,000)	—	(235,000)	—	(235,000)
At 31 December 2014	17,500	—	(5,372)	13,469	—	5,245	5,581	(30,337)	—	6,086	5,392	11,478
At 1 April 2015 (audited)	20,000	14,381	(5,372)	15,645	—	4,984	5,581	(35,927)	4,000	23,292	4,966	28,258
Profit for the period	—	—	—	—	—	—	—	10,212	—	10,212	946	11,158
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	(1,612)	—	—	—	(1,612)	(346)	(1,958)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(1,612)	—	10,212	—	8,600	600	9,200
Bonus shares issued	5,000	(5,000)	—	—	—	—	—	—	—	—	—	—
Release of revaluation reserve	—	—	—	(539)	—	—	—	539	—	—	—	—
Final 2015 dividend declared	—	—	—	—	—	—	—	—	(4,000)	(4,000)	—	(4,000)
At 31 December 2015	25,000	9,381	(5,372)	15,106	—	3,372	5,581	(25,176)	—	27,892	5,566	33,458

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. General Information

Deson Construction International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 18 July 2014 and its share are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 8 January 2015. The registered address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged as a contractor in the construction business to provide building construction works, electrical and mechanical engineering works and alterations, addition, renovation, refurbishment and fitting-out works, mainly in Hong Kong, Macau and Mainland China and other construction related business.

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

## 2. Basis of Preparation

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2015 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 applicable disclosure requirement of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market 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, and investment properties, which have been measured at fair value. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 March 2015. These unaudited condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual report for the year ended 31 March 2015.

The HKICPA has issued certain revised HKFRSs that are first effective or available for early adoption for the current period of the Group. These revised HKFRSs have no significant impact on the results or the financial position of the Group for current and previous accounting periods. The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

The condensed consolidated financial statements of the Group have not been audited by the Company’s independent auditors but have been reviewed by the Company’s audit committee.

### 3. Revenue, Other Income and Segment Information

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

#### Revenue

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from construction contracting and related business	<b>245,500</b>	209,666	<b>615,525</b>	579,426
<b>Other income</b>				
Bank interest income	<b>67</b>	43	<b>199</b>	229
Gross rental income	<b>160</b>	217	<b>496</b>	711
Others	<b>325</b>	254	<b>659</b>	1,074
	<b>552</b>	514	<b>1,354</b>	2,014

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

#### Geographical information

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>181,526</b>	161,496	<b>405,810</b>	453,961
Mainland China	<b>63,855</b>	48,170	<b>201,287</b>	123,307
Macau	<b>119</b>	—	<b>8,428</b>	2,158
	<b>245,500</b>	209,666	<b>615,525</b>	579,426

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

#### 4. Profit/(loss) Before Tax

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

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of construction contracting	<b>231,853</b>	200,468	<b>581,205</b>	545,394
Depreciation	<b>208</b>	134	<b>625</b>	2,402
Minimum lease payments under operating leases on land and buildings	<b>649</b>	208	<b>1,946</b>	674
Loss on disposal of items of property, plant and equipment <sup>^</sup>	—	—	<b>21</b>	284
Rental income on investment properties	<b>(160)</b>	(167)	<b>(496)</b>	(507)
Less: outgoings	—	—	<b>35</b>	35
Rental income	<b>(160)</b>	(167)	<b>(461)</b>	(472)
Employee benefit expense (including directors' remuneration):				
Wages and salaries	<b>6,842</b>	7,784	<b>20,587</b>	23,364
Pension scheme contributions*	<b>241</b>	282	<b>572</b>	713
Less: Amount capitalised	<b>(2,802)</b>	(2,323)	<b>(7,954)</b>	(7,405)
	<b>4,281</b>	5,743	<b>13,205</b>	16,672
Foreign exchange differences, net <sup>^</sup>	—	11	<b>(12)</b>	(15)
Reversal of impairment of accounts receivable <sup>^</sup>	—	—	—	(625)
Listing and related expenses	—	6,501	—	11,275

\* As at 31 December 2015, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2014: Nil).

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



## 5. Finance Costs

An analysis of finance costs is as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years and total interest expense on financial liabilities not at fair value through profit or loss	402	581	1,035	1,477
Less: Interest capitalised	(342)	(545)	(724)	(1,394)
	60	36	311	83

## 6. Income Tax

Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the nine months ended 31 December 2015 and 31 December 2014, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current — Hong Kong				
Charge for the period	940	38	1,340	1,432
Current — Elsewhere				
Charge for the period	204	277	290	1,179
Underprovision in prior years	—	—	—	194
Deferred	(85)	(16)	(46)	(281)
Total tax charge for the period	1,059	299	1,584	2,524

## 7. Earnings/(Loss) Per Share

The calculation of the basic earnings/(loss) per share attributable to ordinary equity holders of the Company is based on the following:

(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
2015	2014	2015	2014
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Earnings/(loss):</b>			
Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share (profit/(loss) for the period attributable to owners of the Company)			
<b>4,578</b>	(5,175)	<b>10,212</b>	(3,709)
<b>Number of shares:</b>			
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share			
<b>1,000,000,000</b>	1,000,000,000	<b>1,000,000,000</b>	1,000,000,000

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

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

## 8. Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2015 (nine months ended 31 December 2014: Nil).

## 9. Share Capital

	Notes	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2015		400,000,000	20,000	14,381	34,381
Subdivision of shares	(i)	400,000,000	—	—	—
Issue of bonus shares	(ii)	200,000,000	5,000	(5,000)	—
At 31 December 2015		<b>1,000,000,000</b>	<b>25,000</b>	<b>9,381</b>	<b>34,381</b>

- Notes:* (i) On 23 April 2015, the board of directors of the Company proposed the Share Subdivision whereby each of the issued and unissued ordinary share with a par value of HK\$0.05 each in the share capital of the Company be subdivided into two ordinary shares with a par value of HK\$0.025 each ("**Subdivided Share(s)**"), such that the authorised share capital of the Company became HK\$100,000,000 divided into 4,000,000,000 shares with a par value of HK\$0.025 each, and the Subdivided Shares rank pari passu in all respects with each other in accordance with the memorandum and articles of association of the Company. The Share Subdivision was approved upon the passing of the ordinary resolution by the shareholders of the Company at the extraordinary general meeting held on 3 June 2015 and became effective on 4 June 2015.
- (ii) On 29 September 2015, the Company issued bonus shares on the basis of one bonus share for every four existing ordinary shares held by shareholders whose name appeared on the register of members on 25 September 2015. The Bonus Issue was approved upon passing of the ordinary resolution by the shareholders of the Company at the extraordinary general meeting held on 18 September 2015 and became effective on 6 October 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

The Group's turnover for the nine months ended 31 December 2015 recorded at approximately HK\$615,525,000 which represented an increase of 6.2% from approximately HK\$579,426,000 for the nine months ended 31 December 2014.

(i) Building construction works:

For the nine months ended 31 December 2015, revenue recorded at this segment amounted to approximately HK\$203,741,000 (nine months ended 31 December 2014: HK\$207,613,000). The decrease by 1.9% was because certain projects were completed for the year ended 31 March 2015, and only a small amount of variation orders were recognized as revenue for those projects for the nine months ended 31 December 2015. These contracts included the design and build foundation works for residential houses on Stubbs Road, Hong Kong, superstructure works for residential houses on Stubbs Road, Hong Kong and alteration and addition works for residential development on South Bay Road, Hong Kong.

Revenue to be recognised for certain new projects during the period, it included main contractor for development of eight residential houses, clubhouses and associated external works including site formation, construction of sub-structure and superstructure works, building services and interior fitting-out work at Pik Sha Road, Sai Kung, Hong Kong and main contractor for development of a 12-storey residential building including construction of sub-structure, superstructure, building services and interior fitting-out works at Stubbs Road, Hong Kong and main contractor for development of one residential house and associated external works including construction of sub-structure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong.

(ii) Electrical and mechanical engineering works:

For the nine months ended 31 December 2015, revenue recorded at this segment amounted to approximately HK\$148,867,000 (nine months ended 31 December 2014: HK\$138,625,000). The increase by 7.4% was mainly due to certain new projects were granted in early 2015 and no revenue was recognized in last period. These projects include building services installation for the construction of two 30-classroom primary schools at Kai Tak Development, Kowloon for the Government of the HKSAR, air-conditioning mechanical ventilation and electrical installation for the extension of PRC Ministry of Foreign Affairs Building at Borrett Road, Hong Kong.

(iii) Fitting-out works:

For the nine months ended 31 December 2015, revenue recorded at this segment amounted to approximately HK\$262,917,000 (nine months ended 31 December 2014: HK\$233,188,000). The increase by 12.7% was mainly attributable to the addition contracts granted in the PRC during the period. These contracts included fitting-out works of an office in Shenzhen, the PRC, addition and alteration works of a hospital in Beijing, the PRC, fitting-out works, air conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for staff social centre in Suning, Hebei, the PRC, fitting-out works of residential building at Jinan, Shangdong, the PRC and the fitting-out works for a hotel in Beijing, the PRC.

## Financial Review

### Turnover

For the nine months ended 31 December 2015, the Group's turnover amounted to approximately HK\$616 million, increased by 6.2% as compared to last period. The increase in turnover was mainly due to the increase of turnover of fitting-out segment which more contracts were granted during the period in the PRC. On the other hand, the new fitting-out works contracts for new shops of luxury brand goods at Macau also caused the increase in turnover.

### Gross profit margin

Our gross profit increased by approximately HK\$0.3 million or 0.8%, from approximately HK\$34.0 million for the nine months ended 31 December 2014 to approximately HK\$34.3 million for the nine months ended 31 December 2015. During the nine months ended 31 December 2015, the gross profit margin was approximately 5.6%, down by 0.3% as compared to last period's 5.9%. The slight decrease of gross profit margin was due to the average gross profit margin for fitting-out projects granted in the PRC during the period was lower than the last period.

### Other income

Other income decreased by approximately HK\$660,000 from approximately HK\$2,014,000 for the nine months ended 31 December 2014 to approximately HK\$1,354,000 for the nine months ended 31 December 2015. The decrease was mainly because (1) the decrease of management fee income as no staff was provided to assist or supervise Deson Development International Holdings Limited and its subsidiaries (other than the Group) ("**Remaining Group**"). (2) the decrease of rental income as the transfer of Kwun Tong office to Remaining Group in November 2014.

### Administrative Expenses

Administrative expenses decreased by approximately HK\$15 million or 40.6% from approximately HK\$38 million for the nine months ended 31 December 2014 to approximately HK\$23 million for the nine months ended 31 December 2015. Such decrease was the combined results of (1) the listing expenses of approximately HK\$11.3 million was incurred in the last period for the listing of the Company's share on GEM on

8 January 2015; and (2) the decrease of staff costs by approximately HK\$3.5 million after the transfer of those staff not related to the construction business to the Remaining Group after the spin-off of the Group from Remaining Group.

### **Liquidity and financial resources**

As at 31 December 2015, the Group had total assets of HK\$251,282,000, which was financed by total liabilities, shareholders' equity and non-controlling interests of HK\$217,824,000, HK\$27,892,000 and HK\$5,566,000, respectively. The Group's current ratio at 31 December 2015 was 1.04 compared to 1.02 at 31 March 2015.

The gearing ratio for the Group as at 31 December 2015 is 13% (31 March 2015: 15%). It was calculated based on the non-current liabilities of HK\$4,896,000 (31 March 2015: HK\$5,035,000) and long term capital (equity and non-current liabilities) of HK\$38,354,000 (31 March 2015: HK\$33,293,000).

### **Contingent liabilities**

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

### **Commitment**

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

### **Charges on group assets**

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK\$16,868,000 (31 March 2015: HK\$17,200,000); and
- (ii) the pledge of the Group's deposits of HK\$29,713,000 (31 March 2015: HK\$29,674,000).

### **Treasury policies**

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

### **Exchange risk exposure**

The Group mainly exposes to currency of Renminbi, which are arising 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.

## Prospect

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

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

During the Reporting Period, new projects such as main contractor for development of one residential house and associated external works including construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong, fitting-out works including electrical and mechanical works for three Prada/Miu Miu shops at Wynn Palace, Macau, fitting-out works including E&M works at Purves Road, Hong Kong, fire services and MVAC installation of Multimedia Production And Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong, electrical, low voltage switchboard, fire services, plumbing and MVAC installation at a memorial Primary School, Fanling, New Territories, Hong Kong, building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Hong Kong, supply and installation of fire services for redevelopment of Methodist International Church Hong Kong at Queen’s Road East, Hong Kong, fitting-out works of an office in Shenzhen, the PRC, fitting-out works, air-conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for staff social center at Suning, Hebei, the PRC, the fitting-out works for a hotel in Beijing, the PRC and addition and alteration works of a hospital in Beijing, the PRC. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,725 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 diversifies its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers.

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

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

The Company intends to develop a new business segment, which may include long-term and short-term investment in marketable securities and other related financial and/or investment products and opportunities (including without limitation fixed income products, foreign exchange products, commodities and related products, investment funds, pre-IPO investment opportunities, etc.) (the “**New Business**”). The initial capital required for the New Business will be financed by internal resources and banking facilities of the Company. The Directors consider the development of the New Business will enable the Company to diversify its business and broaden its revenue base and is in the interest of the Company and its shareholders as a whole.

## **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 2015, the interests and short positions of the each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any associated corporation (within in the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules, were as follows:

### **A. Long positions in ordinary shares of the Company**

<b>Name of Director</b>	<b>Number of ordinary shares held, capacity and nature of interest</b>			<b>Percentage of the Company’s issued share capital</b>
	<b>Directly beneficially owned</b>	<b>Through controlled corporation</b>	<b>Total</b>	
Mr. Kwok Koon Keung	500	—	500	0.00%
Mr. Ong Chi King	8,802,000	—	8,802,000	0.88%
Mr. Tjia Boen Sien (“ <b>Mr. Tjia</b> ”)	22,887,200	538,414,868 <i>(Note 1)</i>	561,302,068	56.13%

*Note:*

- Mr. Tjia beneficially owns all the shares in Sparta Assets Limited (“**Sparta Assets**”), a company incorporated in the British Virgin Islands (“**BVI**”). Sparta Assets directly beneficially owned 26,645,000 shares in the Company and it beneficially owned



349,935,000 shares in Deson Development International Holdings Limited (“**DDIHL**”), representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 538,414,868 shares in the Company (being aggregate of 26,645,000 shares in the Company held by Sparta Assets and 511,769,868 shares in the Company indirectly owned by DDIHL (through Deson Development Holdings Limited (“**DDHL**”) which Sparta Assets is deemed to be interested in)).

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

	Number of ordinary shares of HK\$0.10 each in DDIHL		Number of underlying ordinary shares of HK\$0.10 each in DDIHL		Percentage of DDIHL’s issued share capital
	Directly beneficially owned	Through controlled corporation	Options*	Total	
Mr. Tjia	68,661,600(L)	349,935,000(L) <i>(Note 1)</i>	500,000	419,096,600	42.86%
Mr. Keung Kwok Cheung	300,000(L)	—	4,000,000	4,300,000	0.44%
Mr. Kwok Koon Keung	1,500(L)	—	1,500,000	1,501,500	0.15%
Mr. Lo Wing Ling	—	—	1,500,000	1,500,000	0.15%
Mr. Lee Tho Siem	1,785,000(L) <i>(Note 2)</i>	—	—	1,785,000	0.18%

Notes:

(L) denotes long position.

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

1. Mr. Tjia beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. Sparta Assets directly beneficially owned 349,935,000 shares in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 349,935,000 shares in DDIHL held by Sparta Assets.
2. Mr. Lee Tho Siem directly beneficially owned 1,110,000 shares and is deemed interested in 675,000 shares held by his spouse, Ms. Wong Kam Ching. By virtue of the SFO, Ms. Wong Kam Ching's interest is taken to be Mr. Lee Tho Siem's interest.
3. Details of Directors' interests in underlying shares in respect of the options granted under the DDIHL Share Option Scheme are summarised as follows:

Name of Director	Exercise price per share HK\$	Number of underlying ordinary shares of HK\$0.10 each in DDIHL in respect of which options have been granted
		Balance as at 31 December 2015
Mr. Tjia	0.71	500,000
Mr. Keung Kwok Cheung	0.71	4,000,000
Mr. Kwok Koon Keung	0.71	1,500,000
Mr. Lo Wing Ling	0.71	1,500,000

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

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2015, so far as is known to the Directors of the Company, the following persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
DDHL	Beneficial owner	511,769,868	51.18%
DDIHL	Interest in controlled corporation (Note 1)	511,769,868	51.18%
Sparta Assets	Beneficial owner	26,645,000	2.66%
	Interest in controlled corporations (Note 2)	511,769,868	51.18%

#### Notes:

- DDHL is a company incorporated in the BVI and is wholly owned by DDIHL. DDIHL is deemed interested in the shares beneficially owned by DDHL.
- Sparta Assets directly beneficially owned 349,935,000 shares in DDIHL, representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Sparta Assets is deemed to be interested in 511,769,868 shares indirectly owned by DDIHL (through DDHL).

Save as disclosed above, as at the 31 December 2015, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESSES

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

Name of Director	Name of entity which are considered to compete or likely to compete with the business of the Group	Description of business	Nature of interests
Ong Chi King	Wan Kei Group Holdings Limited	principally engaged in (i) foundation works; and (ii) ground investigation field works	independent non executive director
	WLS Holdings Limited	provision of management contracting services, other services for construction and building work	independent non executive director
	KSL Holdings Limited	provision of engineering consulting, contracting and project management services	independent non executive director

As the Board of Directors of the Company is independent of the boards of the above-mentioned entities and none of the above Director can control the Board of the Company, the Group is therefore capable of carrying its business independently of and at arm's length from the businesses of these entities.

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

## INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited, as at 31 December 2015, save for the compliance adviser agreement dated 25 December 2014 entered into between the Company and Kingsway Capital Limited, neither Kingsway Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## 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 2015.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

## SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the "**Share Option Scheme**") on 11 August 2015, the Company has adopted the Share Option Scheme.

Under the terms of the Share Option Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company.

The Company had 80,000,000 share options available for issue under the Share Option Scheme, which represented approximately 8% of the issued shares of the Company as at 31 December 2015.

No share option has been granted during the Reporting Period since the adoption of the Scheme and there was no share option outstanding as at 31 December 2015.

## AUDIT COMMITTEE

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

The unaudited interim results of the Company for the nine months ended 31 December 2015 have been reviewed by the audit committee members who have provided advice and comments thereon.

By order of the Board  
**Deson Construction International Holdings Limited**  
**Keung Kwok Cheung**  
*Chief Executive Officer and Executive Director*

Hong Kong, 2 February 2016

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