



# 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 2016

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 2016 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2015, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2016

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>	3	<b>288,533</b>	245,500	<b>772,739</b>	615,525
Cost of sales		<b>(221,320)</b>	(231,853)	<b>(645,765)</b>	(581,205)
Gross profit		<b>67,213</b>	13,647	<b>126,974</b>	34,320
Other income	3	<b>471</b>	552	<b>1,168</b>	1,354
Administrative expenses		<b>(9,815)</b>	(7,046)	<b>(23,824)</b>	(22,612)
Other operating income/ (expenses), net		<b>17</b>	—	<b>2,936</b>	(9)
Finance costs	5	<b>(773)</b>	(60)	<b>(2,209)</b>	(311)
<b>PROFIT BEFORE TAX</b>	4	<b>57,113</b>	7,093	<b>105,045</b>	12,742
Income tax credit/(expense)	6	<b>57</b>	(1,059)	<b>56</b>	(1,584)
<b>PROFIT FOR THE PERIOD</b>		<b>57,170</b>	6,034	<b>105,101</b>	11,158
Attributable to:					
Owners of the Company		<b>57,199</b>	4,578	<b>103,423</b>	10,212
Non-controlling interests		<b>(29)</b>	1,456	<b>1,678</b>	946
		<b>57,170</b>	6,034	<b>105,101</b>	11,158
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	7				
Basic		<b>HK5.72 cents</b>	HK0.46 cent	<b>HK10.34 cents</b>	HK1.02 cents
Diluted		<b>HK5.25 cents</b>	HK0.46 cent	<b>HK9.62 cents</b>	HK1.02 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2016

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>57,170</b>	6,034	<b>105,101</b>	11,158
<b>OTHER COMPREHENSIVE LOSS</b>				
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(1,827)	(1,355)	(3,246)	(1,958)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(1,827)</b>	(1,355)	<b>(3,246)</b>	(1,958)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>55,343</b>	4,679	<b>101,855</b>	9,200
Attributable to:				
Owners of the Company	55,745	3,480	100,817	8,600
Non-controlling interests	(402)	1,199	1,038	600
	<b>55,343</b>	4,679	<b>101,855</b>	9,200

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

For the nine months ended 31 December 2016

	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium HK\$'000	Contribution surplus HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained Profits/ (accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2015 (audited)	20,000	14,381	(5,372)	15,645	—	4,984	5,581	(31,927)	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	—	—	—
At 31 December 2015	25,000	9,381	(5,372)	15,106	—	3,372	5,581	(25,176)	27,892	5,566	33,458
At 1 April 2016 (audited)	25,000	9,381	(5,372)	14,294	1,183	3,939	5,581	(24,352)	29,654	6,252	35,906
Profit for the period	—	—	—	—	—	—	—	103,423	103,423	1,678	105,101
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	(2,606)	—	—	(2,606)	(640)	(3,246)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(2,606)	—	103,423	100,817	1,038	101,855
Release of revaluation reserve	—	—	—	(510)	—	—	—	510	—	—	—
At 31 December 2016	25,000	9,381	(5,372)	13,784	1,183	1,333	5,581	79,581	130,471	7,290	137,761

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally involved in (i) the construction business, as a main contractor, fitting-out works, and as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau and other construction related business; and (ii) investment in securities.

In the opinion of the directors of the Company, 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 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 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 and equity investments at fair value through profit or loss, 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 2016. 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 2016.

## 2. BASIS OF PREPARATION (Continued)

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current period of the Group. These new and 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 GAINS AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents (i) an appropriate proportion of contract revenue from construction contracting and related business; and (ii) profit from the sales of marketable securities.

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>				
Income from construction contracting and related business	<b>226,683</b>	245,500	<b>673,138</b>	615,525
Income from investment in securities	<b>61,850</b>	—	<b>99,601</b>	—
	<b>288,533</b>	245,500	<b>772,739</b>	615,525
<b>Other income and gains</b>				
Bank interest income	<b>56</b>	67	<b>155</b>	199
Dividend income	<b>119</b>	—	<b>173</b>	—
Gross rental income	—	160	—	496
Others	<b>296</b>	325	<b>840</b>	659
	<b>471</b>	552	<b>1,168</b>	1,354

### **3. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION (Continued)**

#### **Segment information**

For management purposes, the Group is organised into the following operating segments based on their products and services:

- (i) construction contracting and related business; and
- (ii) investment in securities.

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

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



### 3. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION (Continued)

#### Segment information (Continued)

For the nine months ended 31 December

	Construction contracting and related business		Investment in securities		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	673,138	615,525	99,601	—	772,739	615,525
Other income and gains	840	1,155	173	—	1,013	1,155
	<b>673,978</b>	<b>616,680</b>	<b>99,774</b>	<b>—</b>	<b>773,752</b>	<b>616,680</b>
<b>Segment results</b>						
Operating profit	7,273	16,161	99,774	—	107,047	16,161
Reconciliation:						
Interest income					155	199
Fair value gain on financial liabilities at fair value through profit or loss					2,919	—
Unallocated expenses					(2,867)	(3,307)
Finance costs					(2,209)	(311)
Profit before tax					<b>105,045</b>	<b>12,742</b>
<b>Other segment information:</b>						
Loss on disposal of items of property, plant and equipment	—	21	—	—	—	21
Depreciation	607	625	—	—	607	625

#### Geographical information

	(Unaudited) Three months ended 31 December 2016		(Unaudited) Nine months ended 31 December 2016	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	227,665	181,526	594,648	405,810
Mainland China	60,868	63,855	162,305	201,287
Macau	—	119	15,786	8,428
	<b>288,533</b>	<b>245,500</b>	<b>772,739</b>	<b>615,525</b>

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

#### 4. PROFIT BEFORE TAX

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of construction contracting	221,320	231,853	645,765	581,205
Depreciation	204	208	607	625
Minimum lease payments under operating leases on land and buildings	627	649	1,895	1,946
Loss on disposal of items of property, plant and equipment <sup>^</sup>	—	—	—	21
Rental income on investment properties	—	(160)	—	(496)
Less: outgoings	—	—	—	35
Rental income	—	(160)	—	(461)
Employee benefit expense (including directors' remuneration):				
Wages and salaries	9,677	6,842	23,667	20,587
Pension scheme contributions*	265	241	748	572
Less: Amount capitalised	(2,791)	(2,802)	(8,835)	(7,954)
	7,151	4,281	15,580	13,205
Foreign exchange differences, net <sup>^</sup>	(17)	—	(17)	(12)
Fair value gain on financial liabilities at fair value through profit or loss <sup>^</sup>	—	—	(2,919)	—

\* At 31 December 2016, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2015: 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	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank and other borrowings (including convertible bonds)	846	402	2,569	1,035
Less: Interest capitalised	(73)	(342)	(360)	(724)
	<b>773</b>	<b>60</b>	<b>2,209</b>	<b>311</b>

## 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 2016 and 31 December 2015, 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	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current — Hong Kong				
Charge for the period	—	940	—	1,340
Current — Elsewhere				
Charge for the period	39	204	41	290
Deferred	(96)	(85)	(97)	(46)
Total tax charge/(credit) for the period	<b>(57)</b>	<b>1,059</b>	<b>(56)</b>	<b>1,584</b>

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (31 December 2015: 1,000,000,000) in issue during the Reporting Period, after taking into account (i) the subdivision of shares which was effective from 4 June 2015 and as if the subdivision of shares had been effective since 1 April 2015; and (ii) the issue of bonus shares by the Company on 29 September 2015 on the basis of one bonus share for every four ordinary shares at a par value of HK\$0.025 each to shareholders whose name appeared on the register of members on 25 September 2015. The number of shares before the issue of bonus shares was restated as if they had been effective since 1 April 2015.

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

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Earnings</b>				
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	57,199	4,578	103,423	10,212
Interest on convertible bonds	759	—	2,128	—
	<b>57,958</b>	4,578	<b>105,551</b>	10,212

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

	(Unaudited) Three months ended 31 December 2016		(Unaudited) Nine months ended 31 December 2016	
	2015	2015	2015	2015
<b>Shares</b>				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Effect of dilution				
— weighted average number of ordinary shares:				
Share options	503,984	—	—*	—
Convertible bonds	103,000,000	—	96,632,727	—
	<b>1,103,503,984</b>	1,000,000,000	<b>1,096,632,727</b>	1,000,000,000

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

No adjustment has been made to the basic earnings per share amount presented for the nine months ended 31 December 2015 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during that period.

## 8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016 (nine months ended 31 December 2015: Nil).

## 9. SHARE CAPITAL

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000	
At 1 April 2016 and 31 December 2016		<b>1,000,000,000</b>	<b>25,000</b>	<b>9,381</b>	<b>34,381</b>

## 10. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2017, the Company's controlling shareholder, Deson Development Holdings Limited ("**DDHL**"), a direct wholly owned subsidiary of DDIHL, entered into a placing agreement with a placing agent to procure placees for up to 200,000,000 shares of the Company (the "**2017 Placing**") (representing 20% of the existing issued share capital of the Company) at the HK\$0.3 per share during the period commencing from the fulfilment or waiver of the conditions precedent as set out in the placing agreement. As at the reporting date, DDIHL held indirectly, through DDHL, 511,769,868 shares, representing approximately 51.18% of the existing issued share capital of the Company. The Board has also been informed by DDIHL that the 2017 Placing will constitute a very substantial disposal for DDIHL and is subject to the approval by the shareholders of DDIHL.

Before completion of the 2017 Placing, members of the Group are subsidiaries of DDIHL and their accounts have been consolidated into the accounts of the DDIHL and its subsidiaries (the "**DDIHL Group**"). Upon completion, the shareholding interest of DDIHL in the Company will fall below 50% and as such, members of the Group will cease to be accounted as subsidiaries of the DDIHL Group, and the accounts of the Group will no longer be consolidated into the accounts of the DDIHL Group.

Details refer to the announcement of the Company dated 12 January 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is principally engaged as a contractor in the building industry operating in Hong Kong, the People's Republic of China (the "PRC") and Macau. During the last quarter of the year ended 31 March 2016, the Group has developed a new business segment, being the investment in marketable securities. Accordingly, the Group's principal business are: (i) acting as a contractor, where we provide one-stop comprehensive services with the following three major types of services: (a) building construction works; (b) electrical and mechanical engineering ("E&M") works; and (c) alterations, addition, renovation, refurbishment and fitting-out works; and (ii) investment in securities, the Group invests in long term and short term investment in marketable securities.

The Group's turnover for the nine months ended 31 December 2016 recorded at approximately HK\$772,739,000 which represented an increase of approximately 26% from approximately HK\$615,525,000 for the nine months ended 31 December 2015.

#### (i) Construction Segment

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

For the nine months ended 31 December 2016, revenue recorded at this section amounted to approximately HK\$189,635,000 (nine months ended 31 December 2015: HK\$203,741,000). The decrease by approximately 7% was because main contractor works for four residential houses at Stubbs Road, Hong Kong were completed during the last reporting period, thus no revenue was recognized during this Reporting Period. Besides, most revenue of the main contractor works at Pik Sha Road, Hong Kong has already been recognized during the year ended 31 March 2016. The portion of revenue recognized in this Reporting Period was comparatively lower than last reporting period. The decrease was offset by the additional turnover recognized by main contractor works for the development of a 12-storey residential building at Stubbs Road, Hong Kong and site formation and foundation works at Peak Road, Hong Kong.

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

For the nine months ended 31 December 2016, revenue recorded at this section amounted to approximately HK\$189,807,000 (nine months ended 31 December 2015: HK\$148,867,000). The increase by approximately 28% was mainly due to turnover was started to be recognized for several new projects that were granted after last period end. These projects include fire services and MVAC installation of Multimedia Production and Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong and the term contract for Building Services Works at the Sogo Department Store, Causeway Bay, Hong Kong. The increase was partly offset by the completion

of building services installation for the construction of two 30-classroom primary school at Kai Tak, Kowloon and air-conditioning mechanical ventilation and electrical installation for the extension of PRC Ministry of Foreign Affairs Building at Borrett Road, Hong Kong for PRC Ministry of Foreign Affairs in the last period, thus less revenue was recognized in this Reporting Period.

(c) Fitting-out works:

For the nine months ended 31 December 2016, revenue recorded at this section amounted to approximately HK\$293,696,000 (nine months ended 31 December 2015: HK\$262,917,000). The increase by approximately 12% was mainly attributable to the new fitting-out works at Prada shop, Harbour City, Tsim Sha Tsui, Hong Kong (contract sum: approximately HK\$41,000,000) and residential flats and club house at Stubbs Road, Hong Kong which contributed a significant increase of turnover for this section during the Reporting Period.

During the nine months ended 31 December 2016, the Group completed or substantially completed projects such as main contractor for the development of one residential house and associated external works including construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong, air-conditioning mechanical ventilation and electrical installation for the extension of PRC Ministry of Foreign Affairs Building at Borrett Road, Hong Kong for PRC Ministry of Foreign Affairs, fitting-out works including E&M works for three Prada/Miu Miu shops at Wynn Palace, Macau, fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Hong Kong, fitting-out works, air-conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for a staff social center in Suning, Hebei, the PRC.

**(ii) Investment in Marketable Securities Segment**

For the nine months ended 31 December 2016, revenue recorded from this segment amounted to approximately HK\$99,601,000 (nine months ended 31 December 2015: Nil). During the last quarter of the year ended 31 March 2016, the Group has developed a new business segment, which includes long-term and short-term investments in marketable securities and other related financial and/or investment products and opportunities (including without limitation fixed income products, foreign exchange products, commodities and related products, investment funds, pre-IPO investment opportunities, etc.) (the **“New Business”**). The Directors consider the development of the New Business will enable the Group to diversify its business and broaden its revenue base and is in the interest of the Group and the Company’s shareholders as a whole.

During the Reporting Period, the New Business turned out to be a significant profit driver of the Group. As at 31 December 2016, the Group held approximately HK\$125 million of equity investments at fair value through profit or loss. As the overall



market condition of the Hong Kong stock market improves, the Group records a realised gain and a net unrealised gain of approximately HK\$45 million and HK\$55 million respectively. The Board will adopt cautious measures to manage this business activity aiming at generating additional investment returns on available funds of the Company from time to time. Details of the marketable securities are disclosed under the section headed “**SIGNIFICANT INVESTMENTS**”.

Due to the increase in realised gain and an unrealised gain generated from the trading of marketable securities for the nine months ended 31 December 2016 as compared with that for the nine months ended 31 December 2015, the net profit attributable to owners of the Company amounted to approximately HK\$103,423,000 as compared with the net profit attributable to owners of the Company amounted to approximately HK\$10,212,000 for the nine months ended 31 December 2015. Basic earnings per share is HK10.34 cents for the period ended 31 December 2016.

## **Financial Review**

### *Turnover*

For the nine months ended 31 December 2016, the Group’s turnover amounted to approximately HK\$773 million, increased by approximately 26% as compared to the last reporting period. The increase in turnover was mainly due to more revenue recognized for projects that were granted after the period ended 31 December 2015. On the other hand, the development of the New Business also caused a significant increase of turnover.

### *Gross profit margin*

Our gross profit increased by approximately HK\$93 million or approximately 270%, from approximately HK\$34 million for the nine months ended 31 December 2015 to approximately HK\$127 million for the nine months ended 31 December 2016. During the nine months ended 31 December 2016, the gross profit margin was approximately 16.4%, up by 10.8% as compared to last period’s 5.6%. The increase was mainly due to the increase of realised gain and unrealised gain for the investments in marketable securities which started from the last quarter for the year ended 31 March 2016.

### *Other income*

Other income decreased by approximately HK\$186,000 from approximately HK\$1,354,000 for the nine months ended 31 December 2015 to approximately HK\$1,168,000 for the nine months ended 31 December 2016. The decrease was mainly due to the decrease of rental income earned from the property located in Beijing.

### *Administrative expenses*

Administrative expenses increased by approximately HK\$1 million or approximately 5% from approximately HK\$23 million for the nine months ended 31 December 2015 to approximately HK\$24 million for the nine months ended 31 December 2016. The increase was mainly due to the increase in staff costs by approximately HK\$3 million because more bonus was paid in this Reporting Period.

### *Liquidity and financial resources*

As at 31 December 2016, the Group had total assets of HK\$440,572,000, which were financed by total liabilities, shareholders' equity and non-controlling interests of HK\$302,811,000, HK\$130,471,000 and HK\$7,290,000, respectively. The Group's current ratio at 31 December 2016 was 1.50 compared to 1.04 at 31 March 2016.

The gearing ratio for the Group as at 31 December 2016 is 17% (31 March 2016: 7%). It was calculated based on the non-current liabilities of HK\$27,395,000 (31 March 2016: HK\$2,767,000) and long term capital (equity and non-current liabilities) of HK\$165,156,000 (31 March 2016: HK\$38,673,000).

### *Capital expenditure*

Total capital expenditure for the nine months ended 31 December 2016 was approximately HK\$94,000, which was mainly used in the purchase of property, plant and equipment.

### *Contingent liabilities*

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

### *Commitments*

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

### *Charges on group assets*

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK\$15,657,000 (31 March 2016: HK\$16,000,000); and
- (ii) the pledge of the Group's deposits of HK\$32,766,000 (31 March 2016: HK\$29,727,000).

### *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*

In term of foreign currencies, the Group mainly deals with Renminbi, which arises from relevant group entities' foreign currency denominated monetary assets and liabilities in relation to the Group's operating activities that are denominated in foreign currencies. 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 against significant foreign currency exposures should the need arise.

### *Capital structure of the Group*

Details of the movements in the Company's share capital are set out in note 9 to the financial statements.

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

On 18 April 2016, the Convertible Bonds in the aggregate principal amount of HK\$30,900,000 were successfully placed to six placees. The net proceeds from the 2016 Placing were approximately HK\$29,720,000, which were applied for general working capital of the Group and future and potential investment opportunities of the New Business.

- (ii) On 11 January 2017, the Company's controlling shareholder, DDHL, a direct wholly-owned subsidiary of DDIHL, entered into a placing agreement with a placing agent to procure placees for up to 200,000,000 shares of the Company (the "**2017 Placing**") (representing 20% of the existing issued share capital of the Company) at the HK\$0.3 per share during the period commencing from the fulfilment or waiver of the conditions precedent as set out in the placing agreement. As at the reporting date, DDIHL held indirectly, through DDHL, 511,769,868 shares, representing approximately 51.18% of the existing issued share capital of the Company. The Board has also been informed by DDIHL that the 2017 Placing will constitute a very substantial disposal for DDIHL and is subject to the approval by the shareholders of DDIHL.

Before completion of the 2017 Placing, members of the Group are subsidiaries of DDIHL and their accounts have been consolidated into the accounts of the DDIHL Group. Upon completion, the shareholding interest of DDIHL in the Company will fall below 50% and as such, members of the Group will cease to be accounted as subsidiaries of the DDIHL Group, and the accounts of the Group will no longer be consolidated into the accounts of the DDIHL Group.

## SIGNIFICANT INVESTMENTS

As at 31 December 2016, the Group held approximately HK\$125 million equity investments at fair value through profit or loss. Details of the significant investments are as follows:

		Stock code	Place of incorporation	Fair value gain/(loss) HK\$'000	Market values HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets %
	Notes						
Master Glory Group Limited	1	275	Bermuda	566	1,686	1.3	1.2
China Information Technology Development Limited	2	8178	Cayman Islands	1,166	14,198	11.3	10.3
First Credit Finance Group Limited	3	8215	Cayman Islands	872	2,325	1.9	1.7
Leap Holdings Group Limited	4	1499	Cayman Islands	(3,030)	7,452	6.0	5.4
Echo International Holdings Group Limited	5	8218	Cayman Islands	1,840	6,350	5.1	4.6
Sunrise (China) Technology Group Limited	6	8226	Cayman Islands	(427)	2,840	2.3	2.1
Zhuguang Holdings Group Company Limited	7	1176	Bermuda	(1,303)	2,555	2.1	1.9
Jia Meng Holding Holdings Limited	8	8101	Cayman Islands	2,321	11,465	9.2	8.3
Pantronics Holdings Limited	9	1611	British Virgin Islands	(1,280)	4,508	3.6	3.3
K W Nelson Interior Architect Group Limited	10	8411	Cayman Islands	53,480	55,500	44.6	40.2
China Candy Holdings Limited	11	8182	Cayman Islands	(37)	10,270	8.3	7.5
Winto Group (Holdings) Limited	12	8238	Cayman Islands	309	5,400	4.3	3.9
				54,477	124,549		

Notes:

- Master Glory Group Limited is principally engaged in (i) trading of securities — trading of investments held for trading; (ii) property development trading — development and sale of properties; and (iii) water supply — provision of water. HK\$120,000 was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$5,325,980,000 as at 30 September 2016.
- China Information Technology Development Limited is principally engaged in (A) the software development and system integration segment in (i) the provision of software development services; (ii) the provision of system integration services; and (iii) the provision of technical support and maintenance services; and (B) securities trading. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$584,193,000 as at 30 June 2016.

3. First Credit Finance Group Limited is principally engaged in provision and arrangement of credit facilities in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$906,408,000 as at 30 June 2016.
4. Leap Holdings Group Limited is principally engaged in (i) foundation works and ancillary services; (ii) construction wastes handling; (iii) investment in securities and (iv) money lending. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$346,636,000 as at 30 September 2016.
5. Echo International Holdings Group Limited is principally engaged in (i) indent trading of electronic products and (ii) manufacturing and trading of electronic products and accessories. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$22,038,000 as at 30 September 2016.
6. Sunrise (China) Technology Group Limited is principally engaged in (i) securities investment; (ii) trading of commodities; (iii) trading of garment accessories and (iv) manufacture and sales of LED digital display products. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$82,445,000 as at 30 June 2016.
7. Zhuguang Holdings Group Company Limited is principally engaged in property development and property investment. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$3,882,790,000 as at 30 June 2016.
8. Jia Meng Holdings Limited is principally engaged (i) the design, manufacture and sale of mattress and soft bed products; (ii) the provision of property management and property agency services; (iii) securities investment; and (iv) property investment. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$355,866,000 as at 30 September 2016.
9. Pantronics Holdings Limited is principally engaged in the contract manufacturing, on electronic manufacturing services. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$30,973,000 as at 30 September 2016.
10. K W Nelson Interior Architect Group Limited is principally engaged in providing interior designs and coordinating interior decoration projects for commercial premises including office and retail space mainly located in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$50,139,000 as at 30 June 2016. The market value of this equity investment at fair value through profit or loss dropped to approximately HK\$2,794,000 when the Group disposed all shares on 5 January 2017.
11. China Candy Holdings Limited is principally engaged in in the manufacturing of various types of candies in China which include jelly drops candies, aerated candies, hard candies and chocolate-made products. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately RMB86,105,000 as at 30 June 2016.

12. Winto Group (Holdings) Limited is principally engaged in sales and free distribution of Chinese lifestyle magazines and the sales of advertising space in the magazines, provision of outdoor advertising services and e-commerce business. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$57,420,000 as at 30 June 2016.

During the nine months ended 31 December 2016, the Group disposed of some of the investments on the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$109 million and income recognized in revenue amounted to approximately HK\$45 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
Wealth Glory Holdings Limited	8269	Cayman Islands	7,299	(412)
AP Rentals Holdings Limited	1496	Cayman Islands	5,796	2,009
Hypebeast Limited	8359	Cayman Islands	25,320*	21,380
Expert Systems Holdings Limited	8319	Cayman Islands	5,728	3,455
Huisheng International Holdings Limited	1340	Cayman Islands	2,831	(90)
Ever Harvest Group Limited	1549	Cayman Islands	5,241	468
Sandmartin International Holdings Limited	482	Bermuda	1,118	(165)
Royal Catering Group Holdings Company Limited	8300	Cayman Islands	9,338	4,793
CROSSTEC Group Holdings Limited	3893	Cayman Islands	2,552	280
Shun Wo Group Holdings Limited	1591	Cayman Islands	9,995	1,076
Goal Forward Holdings Limited	8240	Cayman Islands	3,946	537
Allied Sustainability and Environmental Consultants Group Limited	8320	Cayman Islands	3,058	795
Altus Holdings Limited	8149	Cayman Islands	13,011	9,148
China Art Financial Holdings Limited	1572	Cayman Islands	7,011	950
Jia Meng Holdings Limited	8101	Cayman Islands	1,123	218
Pantronics Holdings Limited	1611	British Virgin Islands	128	7
CMON Limited	8278	Cayman Islands	5,321	675
			<u>108,816</u>	<u>45,124</u>

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

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

## Prospect

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

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

During the Reporting Period, new projects such as site formation and foundation works for residential re-development at Peak Road, Hong Kong, addition and alteration works at East- Point Centre, Causeway Bay, Hong Kong, two 8 months contracts for the maintenance and repair of, alterations and additions to, fire services installations for Health Services Buildings in New Territories East West region, electrical installation at Lot 1003 in Demarcation District No. 40, Sha Tau Kok, New Territories, fitting-out works including electrical and mechanical works for three Prada/Miu Miu shops at City of Dreams, Macau, construction works of Beijing subway Line 1, Beijing, China, subcontracting fitting-out works for the redevelopment of residential buildings and carparks at ChangPing District, Beijing and fitting-out works of offices at Jintian Film and Television Industrial Park, Beijing. As at the date of this report, the Group had contracts on hand with a total contract sum of over HK\$1,563 million.

With the Group's proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group could strengthen its position in the Hong Kong market and diversify its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers.

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

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

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

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

Regarding the New Business in investments in securities, the Group has set up a Treasury Management Committee ("**Treasury Management Committee**") to implement on the Group's behalf the investment policy and guidelines. The Treasury Management Committee comprises one chairman and two committee members (comprising of two Directors and the financial controller of the Company, including at least one executive Director who acts as the investment manager). The Board will adopt cautious measures to manage this business activity aiming at generating additional investment return on the available funds of the Group from time to time.



## 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 2016.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and will expire on the last date of such period.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company’s shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

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

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

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

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

## 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 2016, the interests and short positions of the each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any associated corporation (within in the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules, were as follows:

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

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

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

Notes:

- (1) Mr. Tjia beneficially owns all the shares in Sparta Assets Limited ("**Sparta Assets**"), a company incorporated in the British Virgin Islands ("**BVI**"). Sparta Assets directly beneficially owned 26,645,000 shares in the Company and it beneficially owned 349,935,000 shares in DDIDL, representing 35.79% of the issued share capital in DDIDL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 338,414,868 shares in the Company (being aggregate of 26,645,000 shares in the Company held by Sparta Assets and 311,769,868 shares in the Company indirectly owned by DDIDL (through DDHL) which Sparta Assets is deemed to be interested in).
- (2) Details of Directors' interests in underlying shares in respect of the options granted under the Share Option Scheme are summarised as follows:

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

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

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

Name of Director	Number of ordinary shares of HK\$0.10 each in DDIHL		Number of underlying ordinary shares of HK\$0.10 each in DDIHL		Percentage of the DDIHL’s issued share capital
	Directly beneficially owned	Through controlled corporation	Options*	Total	
	Mr. Tjia	68,661,600(L)	349,935,000(L) (Note 1)	320,000	
Mr. Keung Kwok Cheung	300,000(L)	—	3,100,000	3,400,000	0.35%
Mr. Kwok Koon Keung	1,500(L)	—	1,000,000	1,001,500	0.10%
Mr. Lo Wing Ling	—	—	1,000,000	1,000,000	0.10%
Mr. Lee Tho Siem	1,785,000(L) (Note 2)	—	—	1,785,000	0.18%

Notes:

(L) denotes long position.

\* The options were granted on 17 April 2015 with consideration of HK\$1 under the share option scheme adopted by DDIHL (the “**DDIHL Share Option Scheme**”). The above options could be exercised from the date of grant to 16 April 2018 in accordance with the rules of the DDIHL Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in DDIHL at an initial exercise price of HK\$0.71 per share. None of the options were exercised by any of the above Directors during the period. Further details of the Directors’ interests in underlying shares in respect of the options are disclosed in Note 3 below.

- 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.
- Mr. Lee Tho Siem directly beneficially owned 1,110,000 shares and is deemed to be 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:

<b>Name of Director</b>	<b>Exercise price per share HK\$</b>	<b>Number of underlying ordinary shares of HK\$0.10 each in DDIHL in respect of which options have been granted</b>
		<b>Balance as at 31 December 2016</b>
Mr. Tjia	0.71	320,000
Mr. Keung Kwok Cheung	0.71	3,100,000
Mr. Kwok Koon Keung	0.71	1,000,000
Mr. Lo Wing Ling	0.71	1,000,000

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 2016, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2016, so far as is known to the Directors of the Company, the following persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
DDHL	Beneficial owner	311,769,868	31.18%
DDIHL	Interest in controlled corporation (Note 1)	311,769,868	31.18%
Sparta Assets	Beneficial owner	26,645,000	2.66%
	Interest in controlled corporations (Note 2)	311,769,868	31.18%
Like Capital Limited	Beneficial owner	55,009,000	5.50%
Ethnocentric Investment Limited	Interest in controlled corporations (Note 3)	55,009,000	5.50%
Capital VC Limited	Interest in controlled corporations (Note 3)	55,009,000	5.50%

Notes:

- DDHL is a company incorporated in the BVI and is wholly owned by DDIHL. DDIHL is deemed to be interested in the shares beneficially owned by DDHL.
- Sparta Assets directly beneficially owned 349,935,000 shares in DDIHL, representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Sparta Assets is deemed to be interested in 311,769,868 shares indirectly owned by DDIHL (through DDHL).
- Like Capital Limited ("**Like Capital**") is wholly owned by Ethnocentric Investment Limited ("**Ethnocentric**"). Ethnocentric is deemed to be interested in the shares beneficially owned by Like Capital. Ethnocentric is wholly owned by Capital VC Limited ("**Capital VC**"). Capital VC is also deemed to be interested in the shares beneficially owned by Like Capital.

Save as disclosed above, as at the 31 December 2016, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section “**DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**” above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTEREST IN COMPETING BUSINESS**

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:

<b>Name of Director</b>	<b>Name of entity which are considered to compete or likely to compete with the business of the Group</b>	<b>Description of business</b>	<b>Nature of interests</b>
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

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.



## **DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES**

The following is the change in the information of the Directors since the interim report of the Company dated 9 November 2016, which is required to be disclosed pursuant to the Rule 17.50A(1) of the GEM Listing Rules:

### **Mr. Ong King Keung**

Appointed as an independent non-executive director of Bingo Group Holdings Limited (stock code: 8220), a company with its shares listed on the GEM of the Stock Exchange, on 22 December 2016.

## **INTEREST OF THE COMPLIANCE ADVISER**

As notified by the compliance adviser of the Company, Kingsway Capital Limited, as at 31 December 2016, save for the compliance adviser agreement dated 25 December 2014 entered into between the Company and Kingsway Capital Limited, neither Kingsway Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **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 2016.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

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

## AUDIT COMMITTEE

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

The unaudited third quarterly results of the Company for the nine months ended 31 December 2016 have not been audited by the Company's independent auditors, but have been reviewed by the audit committee members who have provided advice and comments thereon.

By order of the Board

**Deson Construction International Holdings Limited**  
**Keung Kwok Cheung**

*Chief Executive Officer and Executive Director*

Hong Kong, 13 February 2017

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