迪臣

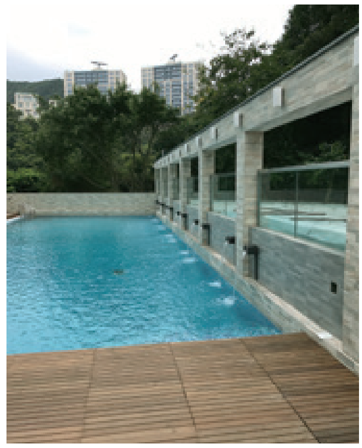
迪臣建設國際集團有限公司

Deson Construction International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8268

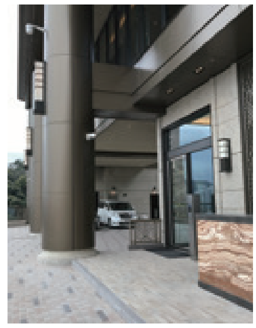
ANNUAL REPORT 2017

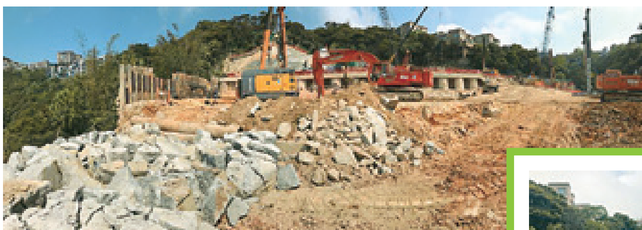
Construction & Fitting-out Project



No.44 Stubbs Road, Hong Kong

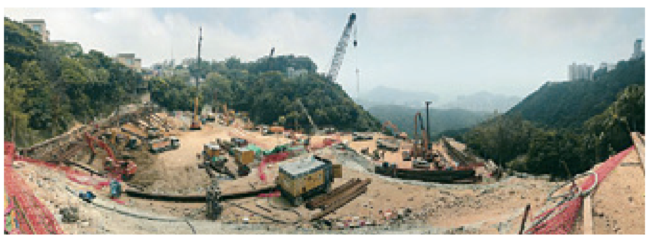
Main contractor for development of a 12-storey residential building including construction of sub-structure, superstructure, building services and interior fitting-out works





No.75 Peak Road, Hong Kong

Site Formation & Foundation Works



E&M Project

Construction of a 36-classroom Primary School in Area 36, Fanling

Building Services Installation

Construction of Two Special Schools at Sung On Street, To Kwa Wan

Building Services Installation

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Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Keung Kwok Cheung *(Chief Executive Officer)*
Mr. Kwok Koon Keung
Mr. Lo Wing Ling
Mr. Ong Chi King

Non-Executive Directors

Mr. Tjia Boen Sien *(Chairman)*
Mr. Ong King Keung

Independent non-executive Directors

Mr. Lee Tho Siem
Mr. Cheung Ting Kee
Mr. Chan Ka Yin

BOARD COMMITTEES

Audit Committee

Mr. Chan Ka Yin *(Chairman)*
Mr. Lee Tho Siem
Mr. Cheung Ting Kee

Remuneration Committee

Mr. Lee Tho Siem *(Chairman)*
Mr. Chan Ka Yin
Mr. Cheung Ting Kee
Mr. Keung Kwok Cheung
Mr. Tjia Boen Sien

Nomination Committee

Mr. Lee Tho Siem *(Chairman)*
Mr. Chan Ka Yin
Mr. Cheung Ting Kee
Mr. Keung Kwok Cheung
Mr. Tjia Boen Sien

Internal Control Committee

Mr. Chan Ka Yin *(Chairman)*
Mr. Lee Tho Siem
Mr. Cheung Ting Kee

COMPANY SECRETARY

Mr. Lam Wing Wai, Angus, *(HKICPA)*

COMPLIANCE OFFICER

Mr. Keung Kwok Cheung

AUTHORISED REPRESENTATIVES

Mr. Keung Kwok Cheung
Mr. Lam Wing Wai, Angus

COMPLIANCE ADVISER

Kingsway Capital Limited

AUDITOR

Ernst & Young

LEGAL ADVISERS

Appleby
Howse Williams Bowers

REGISTERED OFFICE

Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman
KY1-1108, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor, Nanyang Plaza
No. 57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman
KY1-1108, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Dah Sing Bank Limited

STOCK CODE

8268

WEBSITE OF THE COMPANY

www.deson-c.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Deson Construction International Holdings Limited (the "**Company**", together with our subsidiaries, the "**Group**"), I have the pleasure to present to you the annual results for the year ended 31 March 2017.

The overall market condition of the construction industry in Hong Kong was relatively stable and is expected to maintain steady growth in the coming years. Although the Group is facing challenges such as pricing pressure from customers and rising labour and material costs, the Group will stay vigilant against market volatility and exercise prudence in response to the challenges we will face in the coming years. To keep our competitive advantage, as usual, we will continue to provide high quality and value-added services to our customers.

Looking ahead, the Group will continue to focus on strengthening its market position and enhancing its operational efficiency. The Group remains confident of its outlook for its core business of main contractor of (a) building construction works; (b) electrical and mechanical engineering works; and (c) alterations, addition, renovation, refurbishment and fitting-out works. Given our solid financial position, the Group is well-positioned and ready to explore any investment and business opportunities.

To broaden our revenue base, the Group will continue to adopt cautious measures to invest in marketable securities. Due to the outstanding performance of the stock market, the new business has contributed a significant profit to the Group in the current year. We aim to generate more return to our shareholders from time to time.

On behalf of the Board, I would like to express my sincere gratitude to all our customers, shareholders and business partners for their continuous care and support. I would also like to thank all of our employees for the dedication and loyalty they have shown throughout the years.

Tjia Boen Sien
Chairman

Hong Kong, 21 June 2017

BUSINESS REVIEW

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

The Group's turnover for the year ended 31 March 2017 recorded at approximately HK$917,804,000 which represented an increase of approximately 13% from approximately HK$813,264,000 for the year ended 31 March 2016.

(i) Construction Segment

(a) Building construction works:

For the year ended 31 March 2017, revenue recorded from this section amounted to approximately HK$232,073,000 (2016: HK$259,319,000). The decrease by approximately 11% was because (i) main contractor works for four residential houses at Stubbs Road, Hong Kong were completed during the last year end, and thus no revenue was recognised during this year, (ii) most revenue of the main contractor works for eight residential houses at Pik Sha Road, Hong Kong had already been recognised during the year ended 31 March 2016, so the portion of revenue recognised in this year was comparatively lower than last year; and (iii) additional revenue recognised at last year end for the additional orders of main contractor for alteration and addition works for a factory building at Tsun Yip Street, Kwun Tong, Hong Kong.

The above decrease was partly offset by additional turnover recognised as (i) more works have been completed at the later stage of the main contractor work 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; and (ii) the commencement of site formation and foundation works at Peak Road, Hong Kong during this year.

(b) Electrical and mechanical engineering works:

For the year ended 31 March 2017, revenue recorded from this section amounted to approximately HK$261,880,000 (2016: HK$208,643,000). The increase by approximately 26% was mainly due to the recognition of turnover for several new projects that were granted close to last year end and not much turnover was recognised in the prior year. 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. Besides, more revenue was recognised for the following projects that were almost at completion stages. These projects include building services installation of 36-classroom at a primary school in Area 36, Fanling, New Territories, Hong Kong and building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Kowloon. The above 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 year, thus less revenue was recognised for the year ended 31 March 2017.

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

For the year ended 31 March 2017, revenue recorded from this section amounted to approximately HK$378,809,000 (2016: HK$344,508,000). The increase by approximately 10% was mainly due to the increase of turnover recognised for the new fitting-out works of (i) Prada shop, Harbour City, Tsim Sha Tsui, Hong Kong (contract sum: approximately HK$41,000,000); (ii) residential flats and club house at Stubbs Road, Hong Kong (contract sum: approximately HK$40,000,000) and (iii) residential house at Henderson Road, Hong Kong (contract sum: approximately HK$26,000,000). These new works contributed a significant increase of turnover for this section during the year ended 31 March 2017. The increase was partly offset by the decrease of fitting-out projects in the PRC.

During the year ended 31 March 2017, 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, main contractor works for the development of a 12-storey residential building at Stubbs Road, Hong Kong, main contractor for the development of eight residential houses, clubhouse and associated external work at Pik Sha Road, Sai Kung, Hong Kong, building services installation of 36-classroom at a primary school in Area 36, Fanling, New Territories and building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Kowloon, 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 year ended 31 March 2017, revenue recorded from this segment amounted to approximately HK$45,042,000 (2016: HK$794,000). During the last quarter of the year ended 31 March 2016, the Group started to engage in 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 initial capital required for the New Business was financed by internal resources and banking facilities of the Group. The Directors consider that 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.

The New Business turned out to be a significant profit driver of the Group during the year. As at 31 March 2017, the Group held approximately HK$65 million of equity investments at fair value through profit or loss. The Group recorded a realised gain for the trading of shares listed in Hong Kong and a net unrealised loss of approximately HK$47,042,000 (2016: HK$70,000) and HK$2,174,000 (2016: gain of HK$724,000) respectively. Besides, dividend received during this year amounted to approximately HK$174,000 (2016: Nil). 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 significant increase in realised gain generated from the trading of marketable securities for the year ended 31 March 2017 as compared with that for the year ended 31 March 2016, the net profit attributable to owners of the Company amounted to approximately HK$65,535,000 as compared with the net profit attributable to owners of the Company amounted to approximately HK$10,856,000 for the year ended 31 March 2016. Basic earnings per share is HK6.55 cents for the year ended 31 March 2017.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2017, the Group's turnover amounted to approximately HK$918 million (2016: approximately HK$813 million), increased by approximately 13% as compared to last year. The increase in turnover was mainly due to (i) turnover was started to be recognised for several new E&M projects that were granted after last year end; (ii) more fitting-out projects were granted during the year; and (iii) the development of the New Business.

Gross profit margin

The Group's gross profit increased significantly by approximately HK$55 million or 116%, from approximately HK$48 million for the year ended 31 March 2016 to approximately HK$103 million for the year ended 31 March 2017. During the year ended 31 March 2017, the gross profit margin was approximately 11%, up by 5 percentage points as compared to last year 6%. The increase was mainly due to the increase of realised gain for the investment in marketable securities which started from the last quarter of the year ended 31 March 2016.

Other income

Other income decreased by approximately HK$0.5 million from approximately HK$1.7 million for the year ended 31 March 2016 to approximately HK$1.2 million for the year ended 31 March 2017. The decrease was due to the drop in rental income earned from the property located in Beijing, the PRC.

Administrative expenses

Administrative expenses decreased by approximately HK$1 million or 3% from approximately HK$33 million for the year ended 31 March 2016 to approximately HK$32 million for the year ended 31 March 2017. The decrease was mainly due to the share option expense of approximately HK$1.2 million for the share options granted during last year and no such expense was recognised in the current year.

Finance costs

Finance costs increased by approximately HK$2.5 million or 533% from approximately HK$0.5 million for the year ended 31 March 2016 to approximately HK$3.0 million for the year ended 31 March 2017. The increase was mainly due to the finance costs incurred for the convertible bonds issued in April 2016.

Liquidity and financial resources

As at 31 March 2017, the Group had total assets of HK$371,349,000, which was financed by total liabilities, shareholders' equity and non-controlling interests of HK$268,818,000, HK$95,503,000 and HK$7,028,000, respectively. The Group's current ratio at 31 March 2017 was 1.42 compared to 1.04 at 31 March 2016.

The gearing ratio for the Group is 22% (31 March 2016: 7%). It was calculated based on the non-current liabilities of HK$28,473,000 (31 March 2016: HK$2,767,000) and long term capital (equity and non-current liabilities) of HK$131,004,000 (31 March 2016: HK$38,673,000).

Capital expenditure

Total capital expenditure for the year ended 31 March 2017 was approximately HK$150,000, which represented purchases of items of property, plant and equipment.

Contingent liabilities

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

Commitments

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

Charges on group assets

Assets with a carrying value of approximately HK$51,080,000 were pledged as security for the Group's banking facilities.

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

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

Capital structure of the Group

Details of the movements in the Company's share capital are set out in note 26 to the financial statements.

SIGNIFICANT INVESTMENTS

As at 31 March 2017, the Group held approximately HK$65 million equity investments at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	**Stock code**	**Place of incorporation**	**Unrealised fair value gain/(loss)** HK$'000	**Market value** HK$'000	**Approximate percentage of equity investments at fair value through profit and loss** %	**Approximate percentage to the net assets of the Group** %
Master Glory Group Limited	1	275	Bermuda	809	964	2	1
China Information Technology Development Limited	2	8178	Cayman Islands	2,266	15,298	23	15
First Credit Finance Group Limited	3	8215	Cayman Islands	747	2,200	3	2
Leap Holdings Group Limited	4	1499	Cayman Islands	(2,887)	7,595	12	7
Echo International Holdings Group Limited	5	8218	Cayman Islands	(2,509)	2,000	3	2
Sunrise (China) Technology Group Limited	6	8226	Cayman Islands	334	5,010	8	5
Zhuguang Holdings Group Company Limited	7	1176	Bermuda	(988)	2,870	4	3
Jia Meng Holding Holdings Limited	8	8101	Cayman Islands	2,138	11,284	17	11
Pantronics Holdings Limited	9	1611	British Virgin Islands	(387)	2,218	3	2
China Candy Holdings Limited	10	8182	Cayman Islands	1,913	12,220	19	12
InvesTech Holdings Limited	11	1087	Cayman Islands	(3,610)	3,642	6	4
				(2,174)	65,301	100	64

Notes:

1. 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 dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK$5,325,980,000 as at 30 September 2016.

2. China Information Technology Development Limited is principally engaged in (A) the software development and system integration segment in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services; and (B) the in-house developed products segment in the lease of in-house developed computer hardware. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK$546,337,000 as at 31 December 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 year. According to its latest published financial statements, it had net asset value of approximately HK$925,411,000 as at 31 December 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 year. 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 year. 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 year. According to its latest published financial statements, it had net asset value of approximately HK$106,285,000 as at 31 December 2016.

7. Zhuguang Holdings Group Company Limited is principally engaged in property development and property investment. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK$4,806,091,000 as at 31 December 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 year. 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 year. According to its latest published financial statements, it had net asset value of approximately HK$117,028,000 as at 31 March 2017.

10. 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 year. According to its latest published financial statements, it had net asset value of approximately RMB83,621,000 as at 31 December 2016.

11. InvesTech Holdings Limited is principally engaged in the provision of network system integration including provision of network infrastructure solutions, network professional services and mobile internet software of office automation, and trading of telecommunications equipment. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately RMB1,054,410,000 as at 31 December 2016.

During the year ended 31 March 2017, the Group disposed of certain of the investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK$127 million, giving rise to a net gain of approximately HK$47 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK$'000	Realised gain/(loss) HK$'000
Wealth Glory Holdings Limited	8269	Cayman Islands	7,712	(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
Master Glory Group Limited	275	Bermuda	933	(32)
Huisheng International Holdings Limited	1340	Cayman Islands	2,880	(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	9,339	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	2,805	(498)
CMON Limited	8278	Cayman Islands	5,321	675
K W Nelson Interior Architect Group Limited	8411	Cayman Islands	2,794	774
Winto Group (Holdings) Limited	8238	Cayman Islands	5,206	116
OOH Holdings Limited	8091	Cayman Islands	6,475	1,565
			127,364	47,042

* 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.

PROSPECTS

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”, this enables the Group to take an active part in the construction business development.

During the year, 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, upgrading of the addressable fire alarm control system at Kowloon Hospital Rehabilitation Building, supply and installation of E&M works at B2/F of Sogo Department Store at East Point Centre, Hennessy Road, Causeway Bay, Hong Kong, fitting-out works of offices at China Insurance Group Building, Central, Hong Kong, fitting-out works of a residential house at Henderson Road, Hong Kong, 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 car parks at ChangPing District, Beijing and fitting-out works of offices at Jintian Film and Television Industrial Park, Beijing, China. As at the date of this report, the Group had contracts on hand with a total contract sum of over HK$1,424 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 construction market and diversify its customer base particularly by attracting larger corporate customers and will tender 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 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 by leveraging on the Group’s established expertise.

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 the labour costs 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 construction 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 expanding the Group's service scope by applying for additional licences, permits or qualifications which may be required; (ii) exercise more caution when tendering 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 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 available funds of the Group from time to time.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As set out in the prospectus of the Company dated 24 December 2014 (the "**Prospectus**"), the overall business objectives of our Group are to (i) strengthen the Group's position in the Hong Kong market and the Group's capital base to support more capital intensive projects; (ii) further expand the Group's business into the PRC; and (iii) continue to expand the Group's scope of services in building construction works.

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress up to the date of this report is set out below:

Business objective as stated in the Prospectus	Actual business progress up to 31 March 2017
(i) Strengthen the Group's position in the Hong Kong market and the Group's capital base to support more capital intensive projects	The Group continues its effort in identifying suitable business opportunities with potential customers from time to time. The following new contracts were granted during the year: (i) a contract with a contract sum of HK$210 million was granted to the Group to act as a main contractor for site formation and foundation works of residential houses at Peak Road, Hong Kong; (ii) several contracts with total contract sum of approximately HK$57 million were granted to the Group to act as a main contractor for fitting-out works of office and residential houses at Causeway Bay and Central, Hong Kong.

Business objective as stated in the Prospectus	Actual business progress up to 31 March 2017
(ii) Further expand the Group's business into the PRC	The Group keeps good relationship with its existing customers. More tenders for contracts were made to broaden the Group's customer base. More projects were granted in the PRC during the year including the construction works for Beijing subway Line 1, Beijing, China, subcontracting fitting-out works for re-development of residential buildings and car parks at ChangPing District, Beijing, China and fitting-out works of offices at Jintian Film and Television Industrial Park, Beijing, China. The Group has also submitted tenders in more locations in the PRC, including Beijing, Shanghai, Shandong, Hebei, Shenzhen, etc.
(iii) Continue to expand the Group's scope of services in building construction works	On 9 December 2014, the Group was approved by the Buildings Department as a Specialist Contractor (site formation). The Group has submitted more tenders for site formation and foundation works during the year.

USE OF PROCEEDS FROM THE LISTING OF THE COMPANY'S SHARES BY WAY OF PLACING

On 7 January 2015, 50,000,000 ordinary shares of the Company were allotted at HK$0.385 per placing share pursuant to the Placing (as defined in the Prospectus). The net proceeds from the Placing received by the Company were approximately HK$16.6 million (after deduction of related expenses).

As at 31 March 2017, the net proceeds had been utilised as follows:

	Actual net proceeds HK$ million	Amount utilised up to 31 March 2017 HK$ million	Balance as at 31 March 2017 HK$ million
Operation of two existing projects	**14.9**	14.9	–
General working capital	**1.7**	1.7	–
Total	**16.6**	16.6	–

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other plans for material investment or capital assets as at 31 March 2017.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2017, there was no material acquisition, disposal of subsidiaries and affiliated companies by the Group.

HUMAN RESOURCES

As at 31 March 2017, the Group had 128 employees, 53 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the year ended 31 March 2017 amounted to HK$33 million as compared to HK$32 million for the year ended 31 March 2016, the increase is mainly because based on the directors' service contracts, more discretionary bonuses were paid to Directors during the year.

The remuneration policy and package of the Group's employees are reviewed and approved by the Directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Group offers discretionary bonus and share option to staff based on individual performance and the achievements of the Group's targets.

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 continued and will continue to review and improve the Company's corporate governance practices from time to time in order to increase its transparency and accountability to shareholders.

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules as its own corporate governance code. The Company has, so far as applicable, principally complied with the CG Code during the period from 1 April 2016 to 31 March 2017 (the "**Period under Review**").

THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Company acknowledges the importance of the roles of its Board of Directors (the "**Board**") in providing effective leadership and direction of the Company towards its objectives and ensuring transparency and accountability of all operations. The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

The Company has a division of functions reserved to the Board and delegated to the management. The Board provides leadership and approves strategic policies and plans with a view to enhance shareholders' interests while the day-to-day operations of the Company are delegated to the management with proper supervision from the Board. The Board reserves for its decisions on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, corporate governance, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board is responsible for determining the policy for corporate governance of the Company and performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirement;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code.

The Company Secretary assists the Chairman in preparing the agenda for Board meetings. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the management. The delegated functions and work tasks are periodically reviewed by the Board after being reported on by management. Approval has to be obtained from the Board prior to any significant decisions being made or significant transactions or commitments being entered into by the abovementioned officers, who cannot exceed any authority given to them by resolutions of the Board or the Company.

The Board has the full support of the Chief Executive Officer and the management to discharge its responsibilities.

The Company has arranged for appropriate insurance cover in respect of legal actions against the Board and to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Composition

The Company had adopted a Board diversity policy aims to set out the approach to achieve the diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members.

The Nomination Committee will follow a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon possible contribution that the selected candidates will bring to the Board.

The Board of the Company comprises the following Directors as at 31 March 2017:

Executive Directors

Mr. Keung Kwok Cheung *(Chief Executive Officer)*
Mr. Kwok Koon Keung
Mr. Lo Wing Ling
Mr. Ong Chi King

Non-executive Directors

Mr. Tjia Boen Sien *(Chairman)*
Mr. Ong King Keung

Independent Non-executive Directors

Mr. Lee Tho Siem
Mr. Cheung Ting Kee
Mr. Chan Ka Yin

Save for Mr. Ong Chi King and Mr. Ong King Keung, who are brothers, none of the members of the Board are related to one another or have any financial, business, family or other material or relevant relationships with each other.

During the Period under Review, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, with at least one independent non-executive Director possessing the appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received a written annual confirmation from each of the independent non-executive Director regarding his independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

The non-executive Directors bring independent judgement on issues of strategic direction, policies, development, performance and risk management through their contribution at Board meetings.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors will scrutinize the performance of the Company in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

The Board values the contribution of the non-executive Directors and the independent non-executive Directors, and strives to ensure constructive relations between them and the executive Directors. All Directors are encouraged to contribute their views during Board meetings.

Appointment and succession planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors. Directors to be appointed will receive a formal letter of appointment setting out the key terms and conditions of their appointment. Any Board member is entitled to recommend suitable candidate that meet the requirements of the GEM Listing Rules for consideration by the Board.

All Directors are required to retire by rotation at least once every three years at the annual general meeting, subject to re-election by the shareholders. All Non-Executive Directors (including Independent Non-Executive Directors) are appointed for a term of not more than three years.

Training for Directors and Company Secretary

Each newly appointed director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

During the year ended 31 March 2017, the Directors are regularly appraised and updated with any new regulations and guidelines, as well as any amendments thereto issued by the Stock Exchange, particularly the effects of such new or amended regulations and guidelines on directors especially. On an ongoing basis, the Directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars as appropriate.

The Directors have been informed of the requirement under CG Code A.6.5 regarding continuous professional development. The Company has received from each of the Directors, namely Mr. Keung Kwok Cheung, Mr. Kwok Koon Keung, Mr. Lo Wing Ling, Mr. Ong Chi King, Mr. Tjia Boen Sien, Mr. Ong King Keung, Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Chan Ka Yin, a written record of his continuous professional development training received.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary.

For the financial year ended 31 March 2017, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training.

Board meetings

During the Period under Review, five full board meetings were held. Details of the attendance of the Directors are as follows:

	Directors' attendance
Executive Directors	
Mr. Keung Kwok Cheung *(Chief Executive Officer)*	5/5
Mr. Kwok Koon Keung	5/5
Mr. Lo Wing Ling	5/5
Mr. Ong Chi King	5/5
Non-executive Directors	
Mr. Tjia Boen Sien *(Chairman)*	5/5
Mr. Ong King Keung	5/5
Independent Non-executive Directors	
Mr. Lee Tho Siem	5/5
Mr. Cheung Ting Kee	5/5
Mr. Chan Ka Yin	5/5

Notice of regular Board meetings were served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate information are sent to all Directors at least three days before each Board meeting or committee meeting so as to ensure that there is timely access to relevant information. All Directors can give notice to the Chairman of the Board or the Company Secretary if they intend to include matters in the agenda for Board meetings. The Board and the senior management are also obligated to keep the Directors appraised with the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary in a timely manner.

The Company Secretary, who is an employee of the Company, is responsible to take and keep minutes of all Board meetings and Board committee meetings, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed. At Board meetings, all Directors have ample opportunities to express their respective views, voice any concerns and discuss the matters under consideration, and the results of voting at Board meetings fairly reflects the consensus of the Board. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. Directors are entitled to have access to board papers and queries will be responded fully. According to the current practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Such Director must abstain from voting and will not be counted as quorum.

Directors' commitments

Each Director has confirmed that he can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The respective responsibilities of the Chairman and the Chief Executive Officer are clearly defined and set out in writing. The Chairman provides leadership for the Board and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chairman is primarily responsible for ensuring good corporate governance practices and procedures are established. He encourages all Directors to make full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. He ensures that appropriate steps are taken to provide effective communication with shareholders and their views are communicated to the Board as a whole. With the support of the management, the Chairman is also responsible for ensuring that the Directors receive adequate information (whether from senior management or otherwise) in a timely manner, which is accurate, clear, complete and reliable, and appropriate briefing on issues arising at Board meetings as well as to ensure constructive relations between the executive and non-executive Directors.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval, as well as developing policies and practices on corporate governance and compliance with legal and regulatory requirements.

The position of Chairman is held by Mr. Tjia Boen Sien while the position of the Chief Executive Officer is held by Mr. Keung Kwok Cheung.

The Chairman has held a meeting with the independent non-executive Directors without the executive Directors.

BOARD COMMITTEES

The Board has established four committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Internal Control Committee, for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees have complied with the Code provisions and are available on the Stock Exchange website www.hkexnews.hk and the Company's website www.deson-c.com and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. These Board committees will report back to the Board on their decisions or recommendations.

Audit Committee

The Audit Committee comprises all three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr. Chan Ka Yin is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The Group's unaudited quarterly results, interim results and annual results during the year ended 31 March 2017 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

The main duties of the Audit Committee include the following:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditor before submission to the Board;

(b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees, terms of engagement and its independence assessment, and make recommendation to the Board on the appointment, reappointment and removal of external auditor;

(c) to review the adequacy and effectiveness of the Group's financial reporting system, and risk management system, internal control system and associated procedures; and

(d) to review the adequacy of resources, qualifications and experience of the Group's accounting and financial reporting staff, their training programs, and budget.

The Audit Committee held 4 meetings during the Period under Review to review the latest annual financial results and reports, financial reporting and compliance procedures, effectiveness of internal control systems and the appointment of the external auditor. Minutes of Audit Committee meetings are kept by the Company Secretary of the Company. Draft and final version of the minutes of meetings are sent to all committee members for comments within a reasonable time after the meeting. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resources are provided by the Company for the Audit Committee to perform its duties.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

Details of the attendance record of members of the Audit Committee are set out below:

Name of Member	Members' attendance
Mr. Chan Ka Yin *(Chairman)*	4/4
Mr. Lee Tho Siem	4/4
Mr. Cheung Ting Kee	4/4

Remuneration Committee

Mr. Lee Tho Siem, Mr. Cheung Ting Kee, Mr. Chan Ka Yin Mr. Keung Kwok Cheung and Mr. Tjia Boen Sien are the members of the Remuneration Committee and Mr. Lee Tho Siem is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the executives after consultation with the Chairman/Chief Executive Officer and access to professional advice, at the Group's expense, when necessary. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as the market practice and conditions. The Remuneration Committee normally meets towards at the end of each year to reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors, non-executive Directors, independent non-executive Directors and senior management and other related matters. The Group's remuneration policy is to maintain fair and competitive remuneration packages based on business needs and market practice. Factors such as market rate, an individual's qualification, experience, performance and time commitment are taken into account during the remuneration package determination process.

During the Period under Review, one Remuneration Committee meeting was held on 21 June 2016 and reviewed the remuneration packages of the Directors and senior management. Recommendations have been made to the Board.

Details of attendance record of members of the Remuneration Committee are set out below:

Name of Member	Members' attendance
Mr. Lee Tho Siem *(Chairman)*	1/1
Mr. Keung Kwok Cheung	1/1
Mr. Tjia Boen Sien	1/1
Mr. Chan Ka Yin	1/1
Mr. Cheung Ting Kee	1/1

Nomination Committee

Mr. Lee Tho Siem, Mr. Cheung Ting Kee, Mr. Chan Ka Yin, Mr. Keung Kwok Cheung and Mr. Tjia Boen Sien are the members of the Remuneration Committee and Mr. Lee Tho Siem is the chairman of the committee. The primary objectives of the Nomination Committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience. The Nomination Committee also assesses the independence of independent non-executive Directors and make recommendation to the Board on the appointment and reappointment of Directors and succession planning for Directors. Candidates for appointment as Directors may be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest caliber in their area of expertise and experience.

During the Period under Review, one Nomination Committee meeting was held on 21 June 2016 to review the structure, size and composition of the Board.

Details of attendance record of members of the Nomination Committee are set out below:

Name of Member	Members' attendance
Mr. Lee Tho Siem *(Chairman)*	1/1
Mr. Keung Kwok Cheung	1/1
Mr. Tjia Boen Sien	1/1
Mr. Chan Ka Yin	1/1
Mr. Cheung Ting Kee	1/1

Internal Control Committee

The main duties of the Internal Control Committee include the following:

(i) for ensuring good corporate governance standards and practices are maintained, evaluating and determining the nature and extent of the risks the Board is willing to take in achieving the Company's strategic objectives, ensuring that the Company establishes and maintains appropriate and effective risk management and internal controls systems, overseeing management in the design, implementation and monitoring of the risk management and internal control systems, ensuring that management provides a confirmation to the Board on the effectiveness of these systems by performing the duties set out in its terms of reference;

(ii) reviewing and discussing solutions to regulatory compliance and internal control matters; and

(iii) reviewing and implementing, and monitoring any non-compliance of the non-competition agreement entered into by Deson Development International Holdings Limited in favour of the Company dated 16 December 2014.

During the Period under Review, one Internal Control Committee meeting was held on 21 June 2016 to review this Corporate Governance Report, as well as to review the effectiveness of the Group's internal control system as further detailed in the "**Risk Management and Internal Monitoring**" section in this report.

Details of attendance record of members of the Internal Control Committee are set out below:

Name of Member	**Members' attendance**
Mr. Chan Ka Yin *(Chairman)*	1/1
Mr. Cheung Ting Kee	1/1
Mr. Lee Tho Siem	1/1

AUDITOR'S REMUNERATION

For the year ended 31 March 2017, the Group had engaged the Group's external auditor, Ernst & Young, to provide the following services, and their respective fees charged are set out below:

Fee charged for the year ended 31 March 2017	HK$
Types of services:	
Audit of the Group	1,300,000
Non-audit services — taxation services	76,000
Total	1,376,000

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors with reference to, and which is on terms no less exacting than, the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiry has been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings throughout the Period under Review. The Company has adopted the same code of conduct regarding securities transactions for its employees and for directors or employees of its subsidiaries and holding companies who are likely to be in possession of unpublished price-sensitive information of the Company or its securities. No incident of non-compliance of the code of conduct regarding securities transactions by employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the financial position of the Group and of its financial performance and cash flow for the financial year. Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Group's consolidated financial statements are prepared in accordance with the GEM Listing Rules, the disclosure requirements of the Hong Kong Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Directors endeavour to ensure a balanced, clear and understandable assessment of the Group's position and prospect in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2017. The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "**Independent Auditor's Report**" on pages 55 to 59. Management of the Group is obligated to provide sufficient explanation and information to the Board so that it can make an informed assessment of financial and other relevant matters.

RISK MANAGEMENT AND INTERNAL MONITORING

Risk Management and Internal Control

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016/17, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2016/17 no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("**IA**") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted semi-annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the reviews made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

INVESTOR RELATIONS

The Company is committed to maintaining an open and effective investor relations policy and to updating investors on relevant information/developments on a timely manner, subject to relevant regulatory requirements. Briefings and meetings with institutional investors and analysts are conducted from time to time. The Company also replies to any enquiries from shareholders on a timely manner. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The corporate website of the Company at www.deson-c.com provides a communication platform via which the public and investor community can access up-to-date information regarding the Company.

Shareholders may also send any enquiries, suggestions or concerns to the Board at any time through the Company Secretary, whose contact details are as follows:

Address	: The Company Secretary, Deson Construction International Holdings Limited, 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Email	: info@deson-c.com
Telephone no.	: (852) 2570 1118
Fax no.	: (852) 3184 3401

The Company Secretary will forward such communications to the Board, the relevant Board committees and/or the Chief Executive Officer, as appropriate.

SHAREHOLDER RIGHTS

To ensure compliance with the CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least twenty clear business days before the annual general meeting. Voting at the forthcoming annual meeting will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the annual general meeting to ensure that shareholders are familiar with such procedures.

Poll results will be counted by Hong Kong Branch Registrar, Tricor Investor Services Limited and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as the chairmen of the Remuneration Committee, Nomination Committee, Audit Committee and Internal Control Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings. The Company will also arrange for the external auditor to attend the annual general meetings to answer relevant questions if necessary.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

In addition to regular Board meetings, the Board, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, may convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the Company Secretary, at the Company's head office at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s). Shareholders may also use this same method to put forward proposals for the next general meeting.

During the Period under Review, there were no significant changes to the Company's constitutional documents.

SHAREHOLDERS COMMUNICATION POLICY

The Company has established a Shareholders Communication Policy to set out the Company's procedures in providing the shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and the investment community to engage actively with the Company.

Environmental, Social and Governance Report

ABOUT THE REPORT

This is the first Environmental, Social and Governance Report (the "**ESG Report**") of Deson Construction International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**We**"). The ESG Report summarises the efforts and achievements made by the Group in corporate social responsibility and sustainable development. As for the information of corporate governance, please refer to the "**Corporate Governance Report**" on pages 17 to 29 of this annual report.

Scope of the Report

The ESG Report focuses on the environmental and social performance of the core business of the Group in Hong Kong. The ESG Report presents our sustainability approach and performance in the environmental and social aspects of our business in the reporting period from 1 April 2016 to 31 March 2017 (the "**Year**"). The Group will continue to strengthen information collection in order to enhance the performance in environmental realm and to disclose relevant information in sustainable development.

Reporting Framework

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" pursuant to Appendix 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong issued by the Stock Exchange of Hong Kong Limited.

Stakeholder Engagement

The engagement of our employees from different divisions of the Group helps us recognise our sustainability performance. The diligently collected and carefully analysed data underscores not only the Group's sustainable initiatives for the year, but also the Group's short-term and long-term sustainability strategy. The Group will increase the involvement of stakeholders via constructive conversation with a view to charting a course for long-term prosperity.

PROTECTING OUR ENVIRONMENT

Environmental Principle

The Group recognises the importance of environmental impact reduction and is committed to embedding its corporate responsibility into its business operation. We have established a safety and environmental department, which is responsible for ensuring environmental compliance and proper implementation of protection measures in our projects. We comply with the laws and regulations in relation to environmental protection, including the Air Pollution Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance and Environmental Impact Assessment Ordinance.

We attach great importance to the environmental protection, therefore regular site environmental management meetings with the representatives of sub-contractors are organised. We timely discuss and review any environmental and site hygiene issues regarding the management system as well as the on-site performance, in order to effectively control the environmental impact from our business.

Emission Treatment

The non-hazardous waste from the office operation of the Group is mainly general refuse. Recyclable materials, such as waste paper and empty containers, are collected separately and transferred to recycling company for further treatment. We always encourage our employees to use reusable dishware rather than disposable one by displaying notice or poster in the office, so as to promote the concept of minimising the waste disposal. For the site operation, the sub-contractors are required to handle the hazardous waste and non-hazardous waste separately to avoid the contamination. Containers and labels for the package of hazardous waste, such as chemical waste, shall meet the requirements set out by the Waste Disposal Ordinance. To reduce construction waste generated on site, the sub-contractors are encouraged to reuse the useful materials to the greatest extent.

The air emission from our operation is mainly dust in construction site. Thus, we require the sub-contractors to comply with the Air Pollution Control (Construction Dust) Regulation to maintain the air quality of the site and the surrounding area. For example, to prevent the spread of dust, dusty materials should be covered or sheltered. Also, water is sprayed on dusty materials before loading and unloading.

It is also the responsibility of sub-contractors to conduct proper treatment of wastewater produced in the construction site to reduce the impact to the environment. Sub-contractors are required to comply with the requirements stipulated in the Water Pollution Control Ordinance. For example, sand trap filters are installed to avoid discharge of sand and large particles to the drain.

Resources Conservation

To reduce the paper use, the Group encourages the employees to reduce the number of photocopies to a minimum and print double-sided for internal documents and external documents, where appropriate. There is waste paper collection box to collect non-reusable waste paper for recycling to protect the environment. Meanwhile, we encourage the employees to switch off the lighting and air-conditioning when not in use to lower the electricity consumption, and also remind them to turn off the faucet tightly to avoid water waste. To reduce the carbon emissions, we also suggest our employees to choose direct flights for any unavoidable business trip.

CARING OUR EMPLOYEES

Employment and Welfare

The Group always believes that employees are our most valuable assets. The effort of the employees is indispensable to our success. To protect the rights and benefits of the employees, we strictly abide by the laws and regulations, such as the Employment Ordinance.

We have established sound recruitment system. According to the work requirements set by each department, we carry out recruitment work. Regardless of nationality, gender, age, race, religious belief or disability, candidates with relevant professional qualifications and working experience receive equal consideration for employment. To ensure no child labour is employed, we comply with the Employment of Children Regulations and the identification documents of candidates are closely examined. Before contract signing, the duties and responsibilities of the job position offered are clearly stated on the contract to avoid forced labour.

Upon joining the Group, we offer employees competitive remuneration packages. The remuneration is reviewed and determined with reference to the performance of employees and the Group as well as the market practice and condition. Employees with outstanding performance in appraisal are given promotion opportunity. We offer employees various insurance, such as medical insurance and personal accident insurance to safeguard their health and safety. We also make monthly contributions to Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance and retirement benefit scheme (the "**ORSO Scheme**") under the Occupational Retirement Schemes Ordinance. The Group adheres to the relevant employment laws and regulations that deal with working hours and rest periods. Employees are entitled to annual leave, wedding leave, funeral leave, maternity leave, paternity leave as well as statutory holidays. As for the resigned employee, we pay the outstanding wages on time pursuant to the requirements of the relevant laws and regulations.

Great importance is also attached to on the work-life balance of its employees. During the Year, we organised leisure activities for our employees, such as Christmas party and Lunar New Year gathering, so as to promote their physical and mental well-being, and foster a sense of belonging to the Group.

Health and Safety

The Group is people-oriented. To raise the awareness of our employees, occupational health and safety posters issued by Occupational Safety & Health Council (OSHC), such as tips for stress management at work, proper use of computer and stretching exercise, are put up at prominent positions within the office area.

Even though site workers are not under our employment, considerable attention is paid to their health and safety. Our sub-contractors are required to strictly comply with the laws and regulations associated with health and safety, such as the Factories and Industrial Undertakings Ordinance. A series of measures has been introduced to sub-contractors for reference to provide a healthy and safe workplace, such as establishing clear safety policies for handling and reporting of emergency, accident and occupational disease, providing suitable personal protective equipment for site workers, storing and labeling the hazardous substances properly, and holding regular meetings with safety committee to understand and monitor the implementation of the health and safety policies.

Training and Development

Driven by our firm belief in the profound importance of continuing education to service quality, the Group provides education subsidies to motivate its employees to pursue continuing education. We also encourage our employees to attend training courses to keep up to date with latest developments and best practices in the industry or develop their management and decision-making abilities to enhance their work performance.

Safety is the highest priority in site, therefore, we provide sufficient safety trainings to site workers to promote and enhance the safety knowledge of workers, and ensure a high standard of safety awareness at all times. Safety trainings, such as induction training and toolbox talks, are conducted to make sure the new workers fully understand the health and safety practice and comply with relevant laws and regulations. The content of the safety trainings mainly covers the guidelines on the use of personal protective equipment, fire drills, proper manual handling procedure and safe machineries operation.

OPERATING PRACTICES

Supply Chain Management

In our construction projects, sub-contractors are our major suppliers. To maintain the quality of our services, the Group is careful in choosing experienced and qualified sub-contractors. Selection criteria for sub-contractors include their safety performance, products quality and availability, and on-time delivery. A list of approved sub-contractors is maintained and reviewed at least once a year. Sub-contractors with poor quality of their products or unsatisfactory job performance will be removed or replaced from the list. We endeavor to minimise the risks from supply chain that may affect the quality of our services.

Quality Assurance

The Group understands the importance of product quality controls. Therefore, we have provided our services in compliance with relevant laws and regulations related to quality management, such as the Buildings Ordinance and Regulations and Codes of Practice. We have also established a sound quality management system and introduced series of measures for quality controls. Both the quality management systems of our subsidiaries, Deson Development Limited and Kenworth Engineering Limited ("**KEL**"), have been accredited with ISO 9001: 2008, the certification of Quality Management System.

During the project implementation stage, we perform regular inspection to monitor progress of the project and ensure compliance with our guidelines. We arrange regular meetings with our sub-contractors so as to address material issues including quality issues as soon as possible and ensure sufficient resources are allocated for timely completion of the project. After the procurement of materials by sub-contractors, we submit an approval form of purchased materials to the project architects for consent on the use of materials, so as to ensure the quality of materials. To maintain the satisfaction of developers, we also regularly communicate with them to keep them informed of the status of the project as well to get their feedback. We perform follow-up actions, such as remedial and preventive actions, based on their comments and keep their feedback for future reference.

Customers' Information Protection

With integrity being our intrinsic business value, we comply strictly with relevant laws and regulations, such as the Personal Data (Privacy) Ordinance. The personal information of our customers is collected and used in a responsible and non-discriminatory manner by restricting the actual use of information to be consistent with the purposes stated in the contract. The confidential information of our customers is stored properly in the office and the employees are not allowed to take away customers' data from the office without the permissions of the managers.

Anti-corruption

According to the Prevention of Bribery Ordinance, the Group forbids employees to solicit or accept any advantage, including money, gifts, loans, commissions, offices, contracts, services or favours, in connection with their duties, without its permission. In order to deter corruption, employees are highly recommended to report to us if they receive any gifts from our customers, suppliers or any parties conducting business with us.

CONTRIBUTING TO OUR COMMUNITY

Apart from our pursuit of the business development, the Group spared efforts in making charitable commitment which can be reflected by our active participation in various charitable activities to contribute to the community. During the Year, we have participated in "Run for Caritas Wellness Link — North District Run" (「明愛樂晴跑」) to promote the mental and emotional benefits of exercise and raise public awareness of mental well-being. Also, we have participated in "The Samaritan Befrienders Hong Kong — McDull Charity Run 2017" (「麥兜•豬肉在前」香港撒瑪利亞防止自殺會慈善跑) in support of the suicide prevention initiatives and the message of cherishing the life and caring for the others.

Apart from taking part in a variety of charitable activities, our philanthropy and community involvement have also expanded to causes that support the local education development. During the Year, KEL has joined the Industrial-based Student Project Scheme of Hong Kong Institute of Vocational Education under which the students of the institute have the chance to work in KEL as a trainee to gain exposure in the engineering industry.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Keung Kwok Cheung ("Mr. Keung"), aged 59, is the chief executive officer and an executive Director of the Company since December 2014. He is also a member of both the remuneration and nomination committees of the Board. Mr. Keung is primarily in charge of the Group's overall corporate strategy and daily operations, including business development and overall management. He is the Technical Director and an Authorised Signatory for Deson Development Limited as a Registered General Building Contractor with the Buildings Department since 1999.

Mr. Keung has over 35 years of experience in the fields of civil, structural and building engineering and in the management of large-scale projects.

Mr. Keung was awarded with an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1982 and graduated from the University of Macau (formerly known as University of East Asia, Macau) with the Master of Business Administration in January 1991. He was admitted as a fellow member of The Hong Kong Institute of Directors in September 2004.

Kwok Koon Keung ("Mr. Kwok"), aged 50, is an executive Director of the Company since December 2014. Mr. Kwok is primarily responsible for the building and fitting-out works division of the Group and further responsible for the planning and coordination of projects, which covers the coordination of engineering resources, progress monitoring and work performance. Mr. Kwok has over 27 years of experience in the building industry.

Mr. Kwok graduated from the London South Bank University (formerly known as South Bank University) with a Bachelor of Science Degree with distinction in June 1992. He is a professional associate of The Royal Institution of Chartered Surveyors since November 1997.

Lo Wing Ling ("Mr. Lo"), aged 58, is an executive Director of the Company since December 2014. Mr. Lo is in charge of the electrical and mechanical engineering division of our Group, responsible for the planning and co-ordination of projects, which cover the coordination of engineering resources, progress monitoring and work performance. Mr. Lo has over 31 years of experience in environmental engineering and building service work. Mr. Lo joined the Group in August 2000 as the director of Kenworth Engineering Limited. Mr. Lo is the Technical Director and an Authorised Signatory for Kenworth Engineering Limited as a Registered Specialist Contractor (Ventilation) with the Buildings Department since 2000 and 2001 respectively.

Mr. Lo graduated from the University of Hong Kong with a Bachelor of Science Degree in Engineering in November 1981 and through part-time studies, graduated from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) with a Bachelor of Arts Degree in Business Studies in November 1990. He has also studied as an external student and obtained a Master of Science Degree in Environmental Management from the University of London in December 2003.

Ong Chi King ("Mr. Ong"), aged 43, is an executive Director of the Company since 21 December 2015. Mr. Ong is a member of the Hong Kong Institute of Certified Public Accountants since December 1998 and a fellow member of the Association of Chartered Certified Accountants since September 2003. Mr. Ong obtained a Bachelor of Business Administration Degree in Accounting (Hons.) from The Hong Kong University of Science and Technology in Hong Kong in November 1995 and a Master of Corporate Finance Degree from The Hong Kong Polytechnic University in November

2004. Mr. Ong has over 21 years of experience in accounting, finance and company secretarial fields and held senior positions in finance and company secretarial departments in various companies listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

Mr. Ong is an independent non-executive Director of the following listed public companies:

Company	**Stock code**
Hong Kong Education (Int'l) Investments Limited	1082
China Environmental Resources Group Limited	1130
Larry Jewelry International Company Limited	8351

Mr. Ong was an independent non-executive Director of the following companies listed on the Stock Exchange in the past three years:

Company	**Stock Code**	**Service Period**
Wan Kei Group Holdings Limited	1718	17 June 2015 to 8 March 2017
Capital VC Limited	2324	20 January 2012 to 31 March 2017
WLS Holdings Limited	8021	1 April 2015 to 29 March 2017
KSL Holdings Limited	8170	19 November 2014 to 2 June 2016
King Force Group Holdings Limited	8315	31 July 2014 to 19 September 2016

Mr. Ong was also a director of Fitness Concept International Holdings Limited, an investment holding company incorporated in the Cayman Islands, which was dissolved on 30 June 2005 by striking off due to cessation of business.

NON-EXECUTIVE DIRECTORS

Tjia Boen Sien ("Mr. Tjia"), aged 73, is the chairman and non-executive Director of the Company since December 2014. He is also a member of both the remuneration and nomination committees of the Board. He has over 34 years of experience in the building industry in the PRC and Hong Kong. Mr. Tjia is one of the co-founders of the DDIHL Group (including the Group). Mr. Tjia is primarily responsible for a consultative role in matters concerning our Group and is not involved in the day-to-day management of our Group.

Mr. Tjia graduated from chemistry studies at the Huaqiao University (華僑大學) in the PRC in July 1966. He was admitted as member of The Chartered Institute of Building in November 1996 and is a professional member of The Royal Institution of Chartered Surveyors since October 2002. Mr. Tjia previously served as the vice chairman and honorable member of Zhan Tian You Civil Engineering Science and Technology Development Fund Management Committee (詹天佑土木工程科學技術發展基金管理委員會).

Ong King Keung ("Mr. KK Ong"), aged 41, was an independent non-executive Director of the Company since December 2014 and has been subsequently re-designated as a non-executive Director since December 2015. He has over 17 years of experience in the auditing and accounting industry. Mr. KK Ong is currently the company secretary Unity Investments Holdings Limited (Stock Code: 913). Mr. KK Ong obtained a Bachelor of Arts Degree in Accountancy from The Hong Kong Polytechnic University in November 1998 and a Master of Science Degree in Finance from the City University of

Hong Kong in November 2007. Mr. KK Ong has been a fellow member of the Association of Chartered Certified Accountants since October 2007 and a fellow member of the Hong Kong Institute of Certified Public Accountants since June 2010.

Mr. KK Ong is currently an independent non-executive director of three companies listed on the Main Board and three companies listed on the GEM of the Stock Exchange, namely China Water Affairs Group Limited (stock code: 855), Tech Pro Technology Development Limited (stock code: 3823), Risecomm Group Holdings Limited (stock code: 1679), Bingo Group Holdings Limited (stock code: 8220), China Candy Holdings Limited (stock code: 8182) and Sunrise (China) Technology Group Limited (stock code: 8226). He was also an independent non-executive Director of China Environmental Energy Investment Limited (stock Code: 986) from March 2013 to September 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Ka Yin ("Mr. Chan"), aged 43, is an independent non-executive Director of the Company since 21 December 2015. He is also the chairman of the audit and internal control committees and a member of the remuneration and nomination committees of the Board. He is a fellow member of the Association of Chartered Certified Accountants since December 2004 and the Hong Kong Institute of Certified Public Accountants since May 2010. He obtained a Bachelor of Business Administration Degree in Accounting and Finance (Hons.) from the University of Hong Kong in November 1996. Mr. Chan is currently a director of a corporate services company in Hong Kong. He has ample experience in auditing, accounting, financial management and company secretarial practices in respect of listed companies.

Mr. Chan was an independent non-executive director of China Environmental Resources Group Limited, a company listed on the main board of the Stock Exchange (Stock Code: 1130) during the period from March 2013 to January 2015.

Cheung Ting Kee ("Mr. Cheung"), aged 48, is an independent non-executive Director of the Company since December 2014. He is also a member of the remuneration, nomination, audit and internal control committees of the Board. Mr. Cheung has over 21 years of working experience in the securities industry including equity research, equity sales, fund management and corporate finance. Mr. Cheung is currently the sole director and responsible officer of a Hong Kong company being a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO.

Mr. Cheung obtained a Bachelor of Business Administration Degree and a Master in Professional Accounting. Mr. Cheung is a fellow member of the Institute of Certified Management Accountants, Australia.

Mr. Cheung is an independent non-executive Director of Yue Da Mining Holdings Limited (Stock Code: 629).

Lee Tho Siem ("Mr. Lee"), aged 77, is an independent non-executive Director of the Company since December 2014. He is also the chairman of the remuneration and nomination committees and a member of the audit and internal control committees of the Board. He has over 40 years of experience in the banking industry. He worked in Hua Chiao Commercial Bank Limited from September 1963 to November 2001 and was appointed as a director and acting general manager in January 2000.

SENIOR MANAGEMENT

Yeung Yam Chi ("Mr. Yeung"), aged 55, is the general manager of our Group. Mr. Yeung joined our Group in April 1994 and over 31 years of experience in the field of civil and structural engineering, interior fitting-out and decoration works. He is responsible for the Group's construction projects in Hong Kong and the PRC, in particular, progress monitoring and quality assurance, site co-ordination, submission of government documents, liaison with clients, architects, sub-contractors and consultants and also provide technical review of the sub-contractors' standard and qualification. Mr. Yeung is an Authorised Signatory for Deson Development Limited as a Registered General Building Contractor with the Buildings Department since 1999. Mr. Yeung obtained a Diploma in Civil Engineering from Hong Kong Baptist University in July 1985 and a Master of Engineering Degree from The University of Sheffield in January 1987.

Chan Chi Kwong ("Mr. CK Chan"), aged 54, is a project director of our Group. Mr. CK Chan joined our Group in July 1992 and has over 32 years of experience in the field of civil and structural engineering. He is responsible for our Group's construction projects in Hong Kong. He is an Authorised Signatory for Deson Development Limited as Registered General Building Contractor with the Buildings Department since 1999. Mr. CK Chan obtained a Bachelor of Science Degree in construction management from the University of Wolverhampton in October 2003. He was admitted as an associate member of The Chartered Institute of Building in January 1995.

Lee Kai Ming ("Mr. KM Lee"), aged 58, is a senior project manager of our Group. Mr. KM Lee joined our Group in August 1997 and is now responsible for all our building services projects in Hong Kong. Mr. KM Lee is a Technical Director for Kenworth Engineering Limited as a Registered Specialist Contractor (Ventilation) with the Building Department since 2002. Mr. KM Lee has over 34 years of experience in the field of building services and engineering.

Mr. KM Lee has obtained a Higher Diploma in Mechanical Engineering and an Endorsement Certificate in Building Services from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1982 and November 1988 respectively. He has passed the Engineering Council Examination Part 2 subjects by The Engineering Council in July 1985. Mr. KM Lee is a member of The Chartered Institution of Building Services Engineers since February 1987 and was authorized as a chartered engineer under The Engineering Council since February 1988. He is a member of The Hong Kong Institution of Engineers since June 1991. Furthermore, Mr. KM Lee is registered as a Registered Professional Engineer (Building Services) with the Engineering Registration Board since April 2011.

LAM Wing Wai, Angus ("Mr. Lam"), aged 41, joined the Group in September 2015. He is the Company Secretary and the Financial Controller of the Group. He is responsible for monitoring all the Group's accounting, finance, listing compliance and company secretarial functions. He holds a Bachelor Degree in Business Administration from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, He had several years' experience with an international accounting firm. Mr. Lam is the company secretary and financial controller of Deson Development International Holdings Limited (stock code: 262), a company listed on the main board of the Stock Exchange.

Li Ngan Mei, May ("Ms. Li"), aged 56, is the administration manager of our Group. Ms. Li joined our Group in December 1988 and has over 32 years of experience in dealing with personnel and administration matters. She is in charge of our Group's administrative and human resources matters including the overseeing of the administrative department, which is responsible for maintenance and renewal of our licences, permits and qualifications.

Report of the Directors

The Directors herein present their report and the audited financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the year, the Company's subsidiaries are principally engaged as (i) 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, Mainland China and Macau; and (ii) investment in marketable securities.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 March 2017 and the Group's financial position at that date are set out in the financial statements on pages 60 to 131.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from 10 August 2017 to 15 August 2017, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 9 August 2017.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 12 and 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 53.

SHARE CAPITAL

Details of movements in the share capital during the year are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 March 2017, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to HK$4,043,000.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five years, as extracted from the audited financial statements, is set out on page 132 . This summary does not form part of the audited financial statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2017 is set out in the section headed "**Management Discussion and Analysis**" on pages 6 to 16 of this annual report. These discussions form part of this "**Report of the Directors**".

PRINCIPAL RISKS AND UNCERTAINTIES

The management is already aware of the principal risks associated with the Group's business and accordingly estimates and manages all kinds of risks encountered through inspection under the risk management and internal control system.

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

The Group is reliant on the availability of public and private sector construction projects in Hong Kong

The results of operations of the Group for the building construction section are affected by the number and availability of public and private sector construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to the Hong Kong property markets and the general conditions of the property markets in Hong Kong. A downturn in either factor may result in a significant decrease in the main contractor works for property re-development for both residential properties or industrial factory buildings in Hong Kong in general.

The Group is reliant on the availability of fitting-out projects of luxury brands in both Hong Kong and the PRC

The results of operations of the Group for the fitting-out section are affected by the expansion rate of luxury brands. In the event that there is a downturn in the economy of Hong Kong and the PRC, fewer shops will be opened. It may result in a significant decrease in fitting-out works for luxury brand shops.

The Group's business is labour-intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

The Group's construction works are labour-intensive in nature. During the three years ended 31 March 2017, the Group and its subcontractors did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs. However, there is no assurance that the Group will not experience these problems in the future when the peak load of construction activities is ongoing. In the event that there is a significant increase in the costs and demand of labour and we have to retain our labour by increasing their wages, the Group's staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if the Group or the Group's subcontractors fail to retain the Group's existing labour and/or recruit sufficient labour in a timely manner to cope with the Group's existing or future projects, the Group may not be able to complete the Group's projects on schedule and within budget, and the Group's operations and profitability may be adversely affected.

The pricing of the Group is determined based on the estimated time and costs involved in a job which may deviate from the actual time and costs involved and any material inaccurate estimation may affect the Group's financial results

The Group needs to estimate the time and costs involved in projects for all sections in order to determine the fee. There is no assurance that the actual amount of time and costs would not exceed the Group's estimation during the performance of the jobs. The actual amount of time and costs involved in completing the job may be adversely affected by many factors, including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions. Any material inaccurate estimation in the time and costs involved in a job may adversely affect the profit margin and results of operations of the Group.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. The Group strives to become an environmental-friendly corporation by saving electricity and encouraging recycling of office supplies and other materials. The Group and its activities are subject to requirements under various laws.

The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and Immigration Ordinance (Chapter 115 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with the applicable laws and regulations.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 31 March 2017, the Group had a headcount of 128 employees (2016: 130). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Group and individual performance. The Company has also adopted a share option scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests. Being people-oriented, the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Group has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the year ended 31 March 2017.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2017, sales to the Group's five largest customers accounted for approximately 41% (2016: 46%) of the total sales for the year and sales to the largest customer included therein amounted to 10% (2016: 15%). Purchases from the Group's five largest suppliers accounted for approximately 33% (2016: 27%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 9% (2016: 10%).

None of the Directors of the Company or any of their associates (as defined in the GEM Listing Rules) or any other shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Keung Kwok Cheung[a, b], *Chief Executive Officer*
Mr. Kwok Koon Keung
Mr. Lo Wing Ling
Mr. Ong Chi King

Non-executive Directors

Mr. Tjia Boen Sien[a, b], *Chairman*
Mr. Ong King Keung

Independent Non-executive Directors

Mr. Lee Tho Siem[a, b, c & d]
Mr. Cheung Ting Kee[a, b, c & d]
Mr. Chan Ka Yin[a, b, c & d]

[a] Remuneration committee member
[b] Nomination committee member
[c] Audit committee member
[d] Internal control committee member

Mr. Lo Wing Ling, Mr. Lee Tho Siem and Mr. Cheung Ting Kee are subject to retirement by rotation according to the Company's articles of association and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules as at 31 March 2017 and the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's board of Directors with reference to Director's duties, responsibilities and performance and the results of the Group.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No Directors of the Company had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Save as disclosed under the heading "**Continuing connected transactions**" below and "**Related party transactions**" in note 31 to the financial statements, there is no contract of significance to the business of the Group between the Company, or any of its subsidiaries, or a controlling shareholder or any of its subsidiaries, to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, during the year. During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries was made.

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 March 2017.

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

Name or category of participant	Number of share options: At 1 April 2016	Granted during the year	Exercised during the year	At 31 March 2017	Date of grant of share options	Exercise period of share options	Price of the Company's shares**: Exercise price of share options* HK$ per share	At grant date of options HK$ per share
Directors:								
Keung Kwok Cheung	2,400,000	–	–	2,400,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Kwok Koon Keung	2,200,000	–	–	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lo Wing Ling	2,200,000	–	–	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong Chi King	1,000,000	–	–	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lee Tho Siem	1,000,000	–	–	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Cheung Ting Kee	1,000,000	–	–	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong King Keung	1,000,000	–	–	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
	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 prices immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

Further details of the Share Option Scheme and the share options issued under the Share Option Scheme are included in note 27 to the financial statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2017.

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 March 2017, the interests and short positions of each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any associated corporation (within 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 the GEM Listing Rules, were as follows:

A. Long positions in ordinary shares of the Company

	Number of ordinary shares held, capacity and nature of interest		Number of underlying ordinary shares of HK$0.025 each in the Company		
Name of Director	**Directly beneficially owned**	**Through controlled corporation**	**Options***	**Total**	**Percentage of the Company's issued share capital**
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 a consideration of HK$1 under the Share Option Scheme adopted by the Company. The above options could be exercised from the date of grant to 2 February 2019 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK$0.025 each in the Company at an initial exercise price of HK$0.28 per share. None of the options were exercised by any of the above Directors during the year. Further details of the Directors' interests in underlying shares in respect of the options are disclosed in Note 2 below.

Notes:

(1) Mr. Tjia beneficially owns all the shares in Sparta Assets Limited ("**Sparta Assets**"), a company incorporated in the British Virgin Islands ("**BVI**"). Sparta Assets directly beneficially owned 26,645,000 shares in the Company and it beneficially owned 349,935,000 shares in Deson Development International Holdings Limited ("**DDIHL**"), representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 338,414,868 shares in the Company (being an aggregate of 26,645,000 shares in the Company held by Sparta Assets and 311,769,868 shares in the Company indirectly owned by DDIHL (through Deson Development Holdings Limited ("**DDHL**") which Sparta Assets is deemed to be interested in).

(2) Details of Directors' interests in underlying shares in respect of the options granted under the Share Option Scheme are summarised as follows:

Name of Director	**Exercise price per share** HK$	**Number of underlying ordinary shares of HK$0.025 each in the Company in respect of which options have been granted Balance as at 31 March 2017**
Mr. Keung Kwok Cheung	0.28	2,400,000
Mr. Kwok Koon Keung	0.28	2,200,000
Mr. Lo Wing Ling	0.28	2,200,000
Mr. Ong Chi King	0.28	1,000,000
Mr. Lee Tho Siem	0.28	1,000,000
Mr. Cheung Ting Kee	0.28	1,000,000
Mr. Ong King Keung	0.28	1,000,000

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

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

Name of Director	Number of ordinary shares of HK$0.10 each in DDIHL: Directly beneficially owned	Number of ordinary shares of HK$0.10 each in DDIHL: Through controlled corporation	Number of underlying ordinary shares of HK$0.10 each in DDIHL: Options*	Total	Percentage of DDIHL's issued share capital
Mr. Tjia	68,661,600(L)	349,935,000(L) (Note 1)	320,000	418,916,600	42.84%
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 a consideration of HK$1 under the share option scheme adopted by DDIHL (the "**DDIHL Share Option Scheme**"). The above options could be exercised from the date of grant to 16 April 2018 in accordance with the rules of the DDIHL Share Option Scheme to subscribe for ordinary shares of HK$0.10 each in DDIHL at an initial exercise price of HK$0.71 per share. None of the options were exercised by any of the above Directors during the period. Further details of the Directors' interests in underlying shares in respect of the options are disclosed in Note 3 below.

1. Mr. Tjia beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. Sparta Assets directly beneficially owned 349,935,000 shares in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 349,935,000 shares in DDIHL held by Sparta Assets.

2. Mr. Lee Tho Siem directly beneficially owned 1,110,000 shares and is deemed interested in 675,000 shares held by his spouse, Ms. Wong Kam Ching. By virtue of the SFO, Ms. Wong Kam Ching's interest is taken to be Mr. Lee Tho Siem's interest.

3. Details of Directors' interests in underlying shares in respect of the options granted under the DDIHL Share Option Scheme are summarised as follows:

Name of Directors	Exercise price per share	Number of underlying ordinary shares of HK$0.10 each in DDIHL in respect of which options have been granted Balance as at 31 March 2017
	HK$	
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.

As at 31 March 2017, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2017, so far as is known to the Directors of the Company, the following persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

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

Notes:

1. 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.

2. 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).

3. 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, at 31 March 2017, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESSES

During the year, 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
Mr. Ong Chi King	Wan Kei Group Holdings Limited	Principally engaged in (i) foundation works; and (ii) ground investigation field works	Independent non-executive director (resigned on 8 March 2017)
	WLS Holdings Limited	Provision of management contracting services, other services for construction and building work	Independent non-executive director (resigned on 29 March 2017)
	KSL Holdings Limited	Provision of engineering consulting, contracting and project management services	Independent non-executive director (resigned on 2 June 2016)

As the Board of Directors of the Company is independent from the boards of the above-mentioned entities and the above Director cannot 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 year.

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

The following sets out the changes in the information of the Directors since the third quarterly report of the Company dated 13 February 2017, which is required to be disclosed pursuant to the Rule 17.50A(1) of the GEM Listing Rules:

Mr. Ong Chi King

i) Resigned as an independent non-executive director of Wan Kei Group Holdings Limited (stock code: 1718), a company with its shares listed on the Main Board of the Stock Exchange, on 8 March 2017;

ii) Resigned as an independent non-executive director of WLS Holdings Limited (stock code: 8021), a company with its shares listed on the GEM of the Stock Exchange, on 29 March 2017;

iii) Resigned as an independent non-executive director of Capital CV Limited (stock code: 2324), a company with its shares listed in the Main Board of the Stock Exchange, on 31 March 2017.

Mr. Ong King Keung

i) Appointed as an independent non-executive director of Sunrise (China) Technology Group Limited (stock code: 8226), a company with its shares listed on the GEM of the Stock Exchange, on 28 February 2017;

ii) Resigned as an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823), a company with its shares listed on the Main Board of the Stock Exchange, on 8 March 2017;

iii) Appointed as an independent non-executive director of Risecomm Group Holdings Limited (stock code: 1679), a company with its shares listed on the Main Board of the Stock Exchange, on 8 June 2017.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited, as at 31 March 2017, 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 nor 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 for the year ended 31 March 2017.

CONTINUING CONNECTED TRANSACTIONS

Administrative services agreement

On 16 December 2014, Grand On Enterprise Limited ("**Grand On**"), a wholly-owned indirect subsidiary of DDHL, which is a controlling shareholder of the Company, and Deson Development Limited ("**DDL**"), a wholly-owned indirect subsidiary of the Company, entered into an administrative services agreement ("**Administrative Services Agreement**"), pursuant to which DDL, as a service provider, has agreed to provide Grand On certain administrative services including provision of office facilities, utilities and equipment support, cleaning services, administrative support and information technology system and technical training support, for a term of three years from 8 January 2015 and ending on 31 March 2017. In consideration of the provision of such administrative services, Grand On shall pay to DDL a service fee, based on DDL's actual direct and indirect cost incurred in the supply and procuring of the supply of such services, including overheads, human and/or other resources. The annual service fee payable by Grand On to DDL for each of the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 did not exceed HK$600,000.

On 1 April 2017, the Administrative Services Agreement was renewed for a term of two years from 1 April 2017 to 31 March 2019. The annual service fee payable by Grand On to DDL for each of the financial years ended 31 March 2018 and 2019 is not expected to exceed HK$600,000.

Lease of office in Hong Kong

On 21 November 2014, Grand On as landlord and DDL as tenant, entered into a tenancy agreement, for the rental of certain portions of the Nanyang Plaza property located at 11th Floor of Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong with an aggregate floor area of approximately 9,500 square feet ("**sq. ft.**") and the joint rights to occupy and use a common area with aggregate floor area of approximately 3,200 sq. ft. The term of tenancy is from 21 November 2014 to 31 March 2017, with a rental of HK$143,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for each of the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 did not exceed HK$1,716,000.

On 15 April 2017, the tenancy agreement was renewed for a term of two years from 1 April 2017 to 31 March 2019, with a rental of HK$143,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for each of the financial years ended 31 March 2018 and 31 March 2019 is not expected to exceed HK$1,716,000.

Lease of office in Shanghai, the PRC

上海迪申建築裝潢有限公司 (Shanghai Deson Decoration Engineering Co., Ltd.*) ("**Shanghai Deson**"), a wholly-owned subsidiary of the Company as tenant, and 華勝國際置業開發（上海）有限公司 ("**華勝**"), an indirect wholly-owned subsidiary of DDIHL, as landlord, entered into a tenancy agreement dated 10 December 2014, for the rental of certain portion of 上海市徐匯區百色路206號天然居會所2樓 with an aggregate floor area of approximately 70 square metres ("**sq. m.**") The term of the tenancy is from 8 January 2015 to 31 March 2017, with a rental of RMB51,600 (equivalent to approximately HK$65,000) per year payable in advance. The annual rental fee payable by Shanghai Deson to 華勝 did not exceed RMB51,600 (equivalent to approximately HK$65,000) for each of the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017. This tenancy agreement was early terminated on 30 September 2016.

The above continuing connected transactions fall under the de minimis provision set forth in Rule 20.74(1)(c) of the GEM Listing Rules and are therefore fully exempt from the reporting, announcement and independent shareholders' approval requirements.

* *for identification purpose only*

NON-COMPETITION UNDERTAKING BY DDIHL

DDIHL entered into a non-competition agreement (the "**Agreement**") with the Company on 16 December 2014. Pursuant to the Agreement, DDIHL undertakes that the Remaining Group (as defined in the Prospectus) will not, inter alia, engage in construction and engineering contracting business, as a contractor, interior design, fitting-out, renovation works, as well as the provision of electrical and mechanical engineering services. For details about the above-mentioned Agreement, please refer to the section headed "Relationship with the Remaining Group" in the Prospectus.

DDIHL has confirmed to the Company of its compliance with the Agreement. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Agreement have been complied by DDIHL and duly enforced since 8 January 2015 and up to the date of this annual report.

PARTICULARS OF PROPERTIES

The investment properties of the Group are as follows:

Location	Attributable interest of the Group	Group's tenure	Current use	Lease term	Gross floor area
Units 2–31 on Level 11 and carpark space no. B37 on Basement 2, Block D, Fu Hua Mansion, 8 Beida Street, Chaoyangmen, Dongcheng District, Beijing, The PRC	60%	The properties are held for a term expiring on 14 January 2044	Commercial	Long term	The total gross floor area is 267.77 sq. m.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public throughout the period from 1 April 2016 to 31 March 2017 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

Ernst & Young will retire and, being eligible, offer themselves for reappointment. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting. There has been no change in the Company's auditor in any of the preceding three years.

Keung Kwok Cheung
Chief Executive Officer and Executive Director

Hong Kong, 21 June 2017

EY 安永

Independent Auditor's Report
To the shareholders of Deson Construction International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Deson Construction International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 60 to 131, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for construction contracts	
For the year ended 31 March 2017, the Group recognised revenue from construction contracting and related businesses of HK$872,762,000 and had gross amounts due from and due to customers of HK$27,780,000 and HK$124,840,000, respectively. The Group has accounted for its construction contracts by applying the percentage-of-completion method. This involves the use of significant management judgements and estimates, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and costs to complete. Relevant disclosures are included in notes 3, 5 and 14 to the financial statements.	Amongst our audit procedures, we assessed the significant judgements made by management, through an examination of project documentation and discussion of the status of projects under construction with management, finance and technical personnel of the Group. We tested the controls of the Group over its processes to record contract costs and contract revenues, the calculation of the stage of completion and the identification of contract losses, if any. Our testing also included vouching construction costs to invoices or other supporting documents, and a comparison of the actual costs incurred with total expected costs, to assess the status of the projects.
Impairment on accounts receivable	
As at 31 March 2017, the Group recorded gross accounts receivable (including retention monies receivable) of HK$137,707,000 before impairment provision of HK$8,276,000. Management performs an impairment assessment on a regular basis, with the impairment provision estimated through the application of judgement and use of subjective assumptions, such as the payment history, subsequent settlements after the end of the reporting period and management's industry knowledge and experience. Relevant disclosures are included in notes 3 and 15 to the financial statements.	Our audit procedures included assessing and testing the Group's processes and controls relating to the monitoring of receivables and the granting of credit terms. This included evaluating the inputs and assumptions used by management in their impairment assessment, and management's procedures over aged receivables or amounts in dispute. We also assessed the adequacy of the impairment provision as of the end of the reporting period, taking into account factors such as the payment history, the subsequent settlements of the receivables and other relevant information.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Allen Yuk Leung Pang.

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

21 June 2017

Consolidated Statement of Profit or Loss

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
REVENUE	5	**917,804**	813,264
Cost of sales		**(815,150)**	(765,653)
Gross profit		**102,654**	47,611
Other income and gains	5	**1,181**	1,681
Fair value gain/(loss) on investment properties		**748**	(420)
Administrative expenses		**(31,977)**	(32,989)
Other operating expenses, net		**(843)**	(3,911)
Finance costs	7	**(2,955)**	(467)
PROFIT BEFORE TAX	6	**68,808**	11,505
Income tax credit/(expense)	10	**(2,034)**	840
PROFIT FOR THE YEAR		**66,774**	12,345
Attributable to:			
Owners of the Company		**65,535**	10,856
Non-controlling interests		**1,239**	1,489
		66,774	12,345
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic		**HK6.55 cents**	HK1.09 cent
Diluted		**HK6.31 cents**	HK1.09 cent

Consolidated Statement of Comprehensive Income

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR		**66,774**	12,345
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(2,451)**	(1,248)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Surplus/(deficit) on revaluation of leasehold land and buildings	12	**2,757**	(757)
Income tax effect	25	**(455)**	125
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**2,302**	(632)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(149)**	(1,880)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**66,625**	10,465
Attributable to:			
Owners of the Company		**65,849**	9,179
Non-controlling interests		**776**	1,286
		66,625	10,465

Consolidated Statement of Financial Position

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**19,729**	17,634
Investment properties	13	**10,961**	10,860
Total non-current assets		**30,690**	28,494
CURRENT ASSETS			
Gross amount due from contract customers	14	**27,780**	30,011
Due from related companies	22	**5,900**	5,894
Due from fellow subsidiaries	22	**—**	27
Accounts receivable	15	**129,431**	100,878
Prepayments, deposits and other receivables	16	**29,346**	23,195
Equity investments at fair value through profit or loss	17	**65,301**	8,124
Tax recoverable		**1,079**	2,490
Pledged deposits	18	**32,780**	29,727
Cash and cash equivalents	18	**49,042**	39,068
Total current assets		**340,659**	239,414
CURRENT LIABILITIES			
Gross amount due to contract customers	14	**124,840**	114,914
Accounts payable	19	**27,786**	32,905
Other payables and accruals	20	**72,295**	47,857
Due to a non-controlling shareholder	21	**1,500**	1,500
Due to a fellow subsidiary	22	**—**	14
Due to a related company	22	**14**	—
Tax payable		**1,134**	535
Derivative component of convertible bonds	24	**8,321**	—
Interest-bearing bank borrowings	23	**4,455**	31,510
Total current liabilities		**240,345**	229,235
NET CURRENT ASSETS		**100,314**	10,179
TOTAL ASSETS LESS CURRENT LIABILITIES		**131,004**	38,673
NON-CURRENT LIABILITIES			
Liability component of convertible bonds	24	**25,600**	—
Deferred tax liabilities	25	**2,873**	2,767
Total non-current liabilities		**28,473**	2,767
Net assets		**102,531**	35,906

Consolidated Statement of Financial Position

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**25,000**	25,000
Reserves	28	**70,503**	4,654
		95,503	29,654
Non-controlling interests		**7,028**	6,252
Total equity		**102,531**	35,906

Mr. Keung Kwok Cheung
Director

Mr. Kwok Koon Keung
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2017

		Attributable to owners of the Company										
	Note	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2015		20,000	14,381	(5,372)	15,645	–	4,984	5,581	(31,927)	23,292	4,966	28,258
Profit for the year		–	–	–	–	–	–	–	10,856	10,856	1,489	12,345
Other comprehensive loss for the year:												
Deficit on revaluation of leasehold land and buildings, net of tax		–	–	–	(632)	–	–	–	–	(632)	–	(632)
Exchange differences on translation of foreign operations		–	–	–	–	–	(1,045)	–	–	(1,045)	(203)	(1,248)
Total comprehensive income/(loss) for the year		–	–	–	(632)	–	(1,045)	–	10,856	9,179	1,286	10,465
Issue of bonus shares		5,000	(5,000)	–	–	–	–	–	–	–	–	–
Release of revaluation reserve		–	–	–	(719)	–	–	–	719	–	–	–
Final 2015 dividend paid		–	–	–	–	–	–	–	(4,000)	(4,000)	–	(4,000)
Equity-settled share option arrangements	27	–	–	–	–	1,183	–	–	–	1,183	–	1,183
At 31 March 2016 and 1 April 2016		**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 year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**65,535**	**65,535**	**1,239**	**66,774**
Other comprehensive income/(loss) for the year:												
Surplus on revaluation of leasehold land and buildings, net of tax		**–**	**–**	**–**	**2,302**	**–**	**–**	**–**	**–**	**2,302**	**–**	**2,302**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**(1,988)**	**–**	**–**	**(1,988)**	**(463)**	**(2,451)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**2,302**	**–**	**(1,988)**	**–**	**65,535**	**65,849**	**776**	**66,625**
Release of revaluation reserve		**–**	**–**	**–**	**(680)**	**–**	**–**	**–**	**680**	**–**	**–**	**–**
At 31 March 2017		**25,000**	**9,381***	**(5,372)***	**15,916***	**1,183***	**1,951***	**5,581***	**41,863***	**95,503**	**7,028**	**102,531**

* These reserve accounts comprise the consolidated reserves of HK$70,503,000 (2016: HK$4,654,000) in the consolidated statement of financial position as at 31 March 2017.

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

Consolidated Statement of Cash Flows

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**68,808**	11,505
Adjustments for:			
Finance costs	7	**2,955**	467
Interest income	5	**(228)**	(255)
Dividend income	5	**(174)**	—
Fair value loss/(gain) on investment properties	13	**(748)**	420
Loss on disposal of items of property, plant and equipment	6	**—**	21
Depreciation	6	**808**	830
Fair value gain on equity investments at fair value through profit or loss, net	5	**(44,868)**	(794)
Fair value loss on the derivative component of convertible bonds	6	**876**	—
Impairment of accounts receivable	6	**—**	3,903
Equity-settled share option expense	6	**—**	1,183
		27,429	17,280
Decrease/(increase) in gross amount due from contract customers		**2,625**	(4,591)
Increase in accounts receivable		**(28,849)**	(50,208)
Increase in equity investments at fair value through profit or loss		**(12,309)**	(7,330)
Increase in prepayments, deposits and other receivables		**(7,492)**	(9,756)
Increase in gross amount due to contract customers		**9,926**	26,459
Increase/(decrease) in accounts payable		**(4,765)**	13,975
Increase in other payables and accruals		**24,594**	22,359
Cash generated from operations		**11,159**	8,188
Interest paid		**(485)**	(1,394)
Hong Kong tax paid		**—**	(4,434)
Overseas tax paid		**(220)**	(828)
Dividend received		**174**	—
Net cash flows from operating activities		**10,628**	1,532
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**228**	255
Purchases of items of property, plant and equipment		**(150)**	(98)
Proceeds from disposal of items of property, plant and equipment		**—**	10
Increase in pledged deposits		**(3,053)**	(53)
Movement in balances with related companies, net		**—**	302
Net cash flows from/(used in) investing activities		**(2,975)**	416

Consolidated Statement of Cash Flows

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**3,033**	13,475
Repayment of trust receipt loans		**(13,475)**	(17,109)
Proceeds from issue of convertible bonds	24	**30,900**	—
Transaction costs of convertible bonds	24	**(725)**	—
Dividend paid		**—**	(4,000)
Movement in balances with fellow subsidiaries		**21**	(15)
Net cash flows from/(used in) financing activities		**19,754**	(7,649)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**27,407**	(5,701)
Cash and cash equivalents at beginning of year		**21,033**	27,160
Effect of foreign exchange rate changes, net		**(820)**	(426)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**47,620**	21,033
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents stated in the statement of financial position	18	**49,042**	39,068
Bank overdrafts, secured	23	**(1,422)**	(18,035)
Cash and cash equivalents as stated in the statement of cash flows		**47,620**	21,033

1. CORPORATE AND GROUP INFORMATION

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

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

In prior years and up to 31 March 2017, in the opinion of the directors of the Company, Deson Development Holdings Limited ("**DDHL**"), a company incorporated in the British Virgin Islands, was the immediate holding company of the Company, and Deson Development International Holdings Limited ("**DDIHL**"), a company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited, was the ultimate holding company of the Company. On 31 March 2017, DDHL's equity interest in the Company was reduced from 51.18% to 31.18% by way of the placing of 200,000,000 ordinary shares of the Company to independent third parties which was completed on the same date. Since then, the Company has become an associate of DDHL.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
北京長迪建築裝飾工程有限公司 ("Beijing Chang-de") (a)*	The People's Republic of China (the "PRC") /Mainland China	Renminbi ("RMB") 16,000,000	Not classified	—	60	Decoration engineering
Deson Development Limited	Hong Kong	HK$20,000,100 HK$20,000,000	Class A (i) Class B (i)	—	100	Construction contracting and investment holding
Colton Ventures Limited*	British Virgin Islands ("BVI")/Hong Kong	US$1	Ordinary	—	100	Investment holding
Deson Construction Engineering Limited*	BVI/Hong Kong	US$10,000	Ordinary	—	85.7	Investment holding
Deson Engineering Limited	Hong Kong	HK$10,000	Ordinary	—	100	Decoration engineering
Deson Industries Limited*	BVI/Hong Kong	US$1	Ordinary	—	100	Investment holding
Deson (Macau) Construction Limited*	Macau	MOP30,000	Ordinary	—	100	Decoration engineering
Foregrand Holdings Inc.*	BVI/Hong Kong	US$1	Ordinary	—	100	Investment holding
Grace Profits Investments Limited*	BVI/Hong Kong	US$1	Ordinary	—	100	Investment holding
Kenworth Group Limited*	BVI/Hong Kong	US$3	Ordinary	—	100	Investment holding
Kenworth Engineering Limited	Hong Kong	HK$54,374,140 HK$20,000,000	Ordinary Preference (ii)	—	100	Provision of electrical and mechanical engineering services, and investment in securities
Latest Ventures Limited*	BVI/Hong Kong	US$1,000	Ordinary	100	—	Investment holding
New Stream Holdings Limited*	BVI/Hong Kong	US$1	Ordinary	—	100	Investment holding
上海迪申建築裝潢有限公司 (b)*	PRC/Mainland China	US$900,000	N/A	—	100	Decoration engineering

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

(a) Registered as a Sino-foreign investment enterprise under PRC law.

(b) Registered as a wholly-foreign-owned enterprise under PRC law.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Notes:

(i) The holders of class A shares have voting rights and are entitled to dividend distributions. Upon the winding-up of this company, the class A shareholders are entitled to return of assets. The holders of non-voting class B shares are not entitled to dividend distributions. Moreover, upon the winding-up of this company, the class B shareholders are not entitled to any return if the assets of this company are less than HK$100 trillion.

(ii) The holders of the preference shares have a cumulative preferential right to this company's profits at 10% of the nominal value of its share capital, but are not entitled to receive notice of or attend or vote at any meeting of members or any meeting of directors.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in HKAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

   - HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 40	*Transfer of Investment Property*[2]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[2]
Annual Improvements 2014–2016 Cycle	Amendments to a number of HKFRS[1]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its leasehold land and buildings classified as property, plant and equipment, investment properties at fair value and equity investments at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the property revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis or reducing balance basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	15% on the reducing balance basis
Office equipment	15% on the reducing balance basis
Tools and equipment	15% on the reducing balance basis
Motor vehicles	15% on the reducing balance basis

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Initial recognition and measurement (continued)

The Group's financial liabilities include accounts payable, other payables and certain accruals, amounts due to a non-controlling shareholder and a related company, convertible bonds and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion related to the derivative component is recognised immediately in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;

(d) management fee income, when the services are rendered;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(e) realised fair value gain or loss on investment in securities, on the trade date basis, whilst unrealised fair value gain or loss on change in fair value at the end of the reporting period; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured either by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits (continued)

Pension schemes (continued)

The Group also operates a defined contribution retirement benefit scheme (the "**ORSO Scheme**") under the Occupational Retirement Schemes Ordinance, for those employees who were eligible to participate. The ORSO Scheme operated in a similar way to the MPF Scheme, except that when an employee left the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited contributions. With effect from 1 December 2000, the Group has operated both schemes and those employees who are not eligible to participate in the ORSO Scheme are eligible to participate in the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition for construction contracts

For the year ended 31 March 2017, the Group recognised revenue from construction contracting and related businesses amounting to HK$872,762,000. The Group has accounted for its construction contracts by applying the percentage-of-completion method. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and forecasts in relation to costs to complete and profit margin.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. An investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 March 2017 was HK$10,961,000 (2016: HK$10,860,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 13 to the financial statements.

Outcome of construction contracts

The Group determines whether the outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. The contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date as at 31 March 2017 amounted to approximately HK$3,587,733,000 (2016: HK$3,287,731,000). Further details are given in note 14 to the financial statements.

Impairment of accounts receivable

Impairment of accounts receivable is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Estimation of fair value of derivative component of convertible bonds

The derivative component of convertible bonds has been valued based on a valuation technique of binomial model that incorporates various market inputs including volatility and risky discount rate, and hence they are subject to uncertainty. The fair value of the derivative component of convertible bonds at 31 March 2017 was HK$8,321,000. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 33 to the financial statements.

Estimates regarding the realisability of deferred tax assets

Estimating the amount for deferred tax assets arising from tax losses requires a process that involves determining appropriate provisions for taxation, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future taxable profits. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of the unrecognised tax losses of the Group are set out in note 25 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

(b) the securities investment segment is engaged in investment in securities.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

In the prior year, the Group had only one reportable segment which was the construction business, as a main contractor and fitting out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau, and other construction related businesses. As a result of the increased transaction volume of investment in securities during the year, management of the Group has reassessed the Group's segment reporting and decided that for financial reporting purposes, there is a new reportable operating segment as the resources allocation, performance assessment and decision making of the investment in securities segment are considered separately. The prior period comparative segment information has been restated accordingly. The comparative segment information on segment assets and liabilities was restated to incorporate the changes in the presentation of operating segments disclosures in accordance with HKAS 1 *Presentation of Financial Statements*.

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

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2017

	Construction business HK$'000	Securities investment HK$'000	Total HK$'000
Segment revenue:			
Income from external customers	872,762	45,042	917,804
Other income and gains	953	—	953
	873,715	45,042	918,757
Segment results			
Operating profit	29,250	43,691	72,941
Reconciliation:			
Interest income			228
Unallocated expenses			(1,406)
Finance costs			(2,955)
Profit before tax			68,808
Segment assets	226,714	65,301	292,015
Reconciliation:			
Corporate and other unallocated assets			79,334
Total assets			371,349
Segment liabilities	230,602	—	230,602
Reconciliation:			
Corporate and other unallocated liabilities			38,216
Total liabilities			268,818
Other segment information:			
Fair value gain on investment properties, net	(748)	—	(748)
Depreciation	808	—	808
Capital expenditure*	150	—	150

* Capital expenditure represents additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2016

	Construction business HK$'000	Securities investment HK$'000	Total HK$'000 (Restated)
Segment revenue:			
Income from external customers	812,470	794	813,264
Other income and gains	1,426	—	1,426
	813,896	794	814,690
Segment results			
Operating profit	12,598	794	13,392
Reconciliation:			
Interest income			255
Unallocated expenses			(1,675)
Finance costs			(467)
Profit before tax			11,505
Segment assets	188,499	8,124	196,623
Reconciliation:			
Corporate and other unallocated assets			71,285
Total assets			267,908
Segment liabilities	197,190	—	197,190
Reconciliation:			
Corporate and other unallocated liabilities			34,812
Total liabilities			232,002
Other segment information:			
Fair value loss of investment properties, net	420	—	420
Loss on disposal of items of property, plant and equipment	21	—	21
Impairment of accounts receivable	3,903	—	3,903
Depreciation	830	—	830
Capital expenditure*	98	—	98

* Capital expenditure represents additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2017 **HK$'000**	2016 HK$'000 (Restated)
Hong Kong	**699,771**	545,517
Mainland China	**193,320**	248,219
Macau	**24,713**	19,528
	917,804	813,264

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

(b) Non-current assets

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**19,675**	17,550
Mainland China	**11,015**	10,944
	30,690	28,494

The non-current asset information above is based on the locations of the assets.

Information about a major customer

During the year, revenue of approximately HK$90,250,000 (2016: HK$125,000,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer. For the purpose of identifying major customers, revenue derived from the securities investment segment is excluded.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate proportion of contract revenue from the construction contracting and related businesses, and gains on investment in securities.

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

	2017 **HK$'000**	2016 HK$'000 (Restated)
Revenue		
Income from the construction contracting and related businesses	**872,762**	812,470
Fair value gain on equity investments at fair value through profit or loss, net	**44,868**	794
Dividend income from equity investments at fair value through profit or loss	**174**	—
	917,804	813,264
Other income and gains		
Bank interest income	**228**	255
Gross rental income	**—**	484
Others	**953**	942
	1,181	1,681

As further explained in note 4 to the financial statements, the net fair value gain on equity investments at fair value through profit or loss of HK$794,000 for the year ended 31 March 2016 was reclassified from other income and gains to revenue as the investment in securities segment was considered by management to be an operating segment of the Group during the year.

6. PROFIT BEFORE TAX

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

	2017 HK$'000	2016 HK$'000
Cost of construction contracting	**815,150**	765,653
Auditor's remuneration	**1,300**	1,160
Depreciation (note 12)	**808**	830
Minimum lease payments under operating leases on land and buildings	**2,530**	2,572
Loss on disposal of items of property, plant and equipment^	**—**	21
Rental income on investment properties	**—**	(484)
Less: outgoings	**—**	34
Net rental income	**—**	(450)
Employee benefit expense (including directors' remuneration — note 8):		
Wages and salaries	**32,445**	29,551
Equity-settled share option expense	**—**	1,183
Pension scheme contributions*	**995**	831
Less: Amount capitalised	**(14,257)**	(12,909)
	19,183	18,656
Foreign exchange differences, net^	**(33)**	(13)
Impairment of accounts receivable (note 15)^	**—**	3,903
Fair value loss on the derivative component of convertible bonds (note 24)^	**876**	—

* At 31 March 2017, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2016: Nil).

^ These amounts are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 **HK$'000**	2016 HK$'000
Interest on bank loans and overdrafts	**485**	1,394
Interest on convertible bonds (note 24)	**2,870**	—
Less: Interest capitalised	**(400)**	(927)
	2,955	467

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Growth Enterprises Market ("**GEM**") Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance, is as follows:

	2017 **HK$'000**	2016 HK$'000
Fees	**600**	514
Other emoluments:		
Salaries, bonuses and allowances	**5,105**	3,758
Equity-settled share option expense	**—**	712
Pension scheme contributions	**123**	109
	5,828	5,093

In the prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which was recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year was included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Non-executive directors and independent non-executive directors

	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2017				
Independent non-executive directors:				
Mr. Lee Tho Siem	**120**	**—**	**—**	**120**
Mr. Cheung Ting Kee	**120**	**—**	**—**	**120**
Mr. Chan Ka Yin	**120**	**—**	**—**	**120**
	360	**—**	**—**	**360**
Non-executive directors:				
Mr. Tjia Boen Sien	**120**	**—**	**—**	**120**
Mr. Ong King Keung ("**Mr. Ong**")#	**120**	**—**	**—**	**120**
	600	**—**	**—**	**600**
2016				
Independent non-executive directors:				
Mr. Lee Tho Siem	120	—	66	186
Mr. Cheung Ting Kee	120	—	66	186
Mr. Ong#	90	—	—	90
Mr. Chan Ka Yin	34	—	—	34
	364	—	132	496
Non-executive directors:				
Mr. Tjia Boen Sien	120	—	—	120
Mr. Ong#	30	—	66	96
	514	—	198	712

In the prior year, Mr. Ong resigned as an independent non-executive director of the Company on 21 December 2015 and was appointed as a non-executive director of the Company on the same date.

There were no other emoluments payable to the non-executive directors and independent non-executive directors during the year (2016: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors

	Salaries, bonuses and allowances HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2017				
Mr. Keung Kwok Cheung ("**Mr. Keung**")*	**1,997**	**71**	**–**	**2,068**
Mr. Kwok Koon Keung	**1,230**	**18**	**–**	**1,248**
Mr. Lo Wing Ling	**1,343**	**18**	**–**	**1,361**
Mr. Ong Chi King	**535**	**16**	**–**	**551**
	5,105	**123**	**–**	**5,228**
2016				
Mr. Keung	1,581	70	158	1,809
Mr. Kwok Koon Keung	999	18	145	1,162
Mr. Lo Wing Ling	1,094	18	145	1,257
Mr. Ong Chi King	84	3	66	153
	3,758	109	514	4,381

* Mr. Keung is also the chief executive of the Group as defined in the GEM Listing Rules.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT

The five highest paid employees during the year included three (2016: three) directors and the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2016: two) non-director, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, bonuses and allowances	**1,978**	2,030
Pension scheme contributions	**88**	86
Equity-settled share option expense	**–**	132
	2,066	2,248

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	1
	2	2

Other than the directors' and five highest paid employees' remuneration disclosed above, the amounts paid to the senior management as disclosed in the "biographical details of directors and senior management" section were as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, bonuses and allowances	**1,377**	1,357
Pension scheme contributions	**36**	36
Equity-settled share option expense	**–**	223
	1,413	1,616

10. INCOME TAX

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

	2017	2016
	HK$'000	HK$'000
Current — Hong Kong		
Charge for the year	**1,412**	—
Underprovision in prior years	**—**	369
Current — Elsewhere		
Charge for the year	**865**	872
Deferred (note 25)	**(243)**	(2,081)
Total tax charge/(credit) for the year	**2,034**	(840)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2017	2016
	HK$'000	HK$'000
Profit before tax	**68,808**	11,505
Tax at the statutory tax rate	**11,523**	2,249
Adjustment in respect of current tax of previous periods	**—**	369
Income not subject to tax	**(287)**	(77)
Expenses not deductible for tax	**535**	542
Tax losses utilised from previous periods	**(10,314)**	(1,861)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**(151)**	38
Tax losses and temporary differences not recognised	**824**	(2,113)
Others	**(96)**	13
Tax charge at the Group's effective rate of 2.96% (2016: –7.3%)	**2,034**	(840)

11. 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 year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (2016: 1,000,000,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on convertible bonds and fair value loss on the derivative component of convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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 exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2017 **HK$'000**	2016 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**65,535**	10,856
Interest on convertible bonds	**2,870**	—
Fair value loss on the derivative component of convertible bonds	**876**	—
Profit attributable to ordinary equity holders of the Company before the effect of convertible bonds	**69,281**	10,856

	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,000,000,000**	1,000,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—***	20,502
Convertible bonds	**98,202,740**	—
	1,098,202,740	1,000,020,502

* The share options granted on 3 February 2016 had an anti-dilutive effect on the basic earnings per share and have not been included in the diluted earnings per share calculation for the year ended 31 March 2017.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2017							
At 31 March 2016 and at 1 April 2016:							
Cost or valuation	16,000	1,120	1,505	1,827	1,487	2,786	24,725
Accumulated depreciation	—	(1,039)	(1,336)	(1,389)	(1,456)	(1,871)	(7,091)
Net carrying amount	16,000	81	169	438	31	915	17,634
At 1 April 2016, net of accumulated depreciation	16,000	81	169	438	31	915	17,634
Additions	—	—	—	146	4	—	150
Surplus on revaluation	2,757	—	—	—	—	—	2,757
Depreciation provided during the year	(457)	—	(35)	(173)	(13)	(130)	(808)
Exchange realignment	—	(1)	1	—	—	(4)	(4)
At 31 March 2017	18,300	80	135	411	22	781	19,729
At 31 March 2017:							
Cost or valuation	18,300	1,119	1,506	1,923	1,491	2,741	27,080
Accumulated depreciation	—	(1,039)	(1,371)	(1,512)	(1,469)	(1,960)	(7,351)
Net carrying amount	18,300	80	135	411	22	781	19,729

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2016							
At 1 April 2015:							
Cost or valuation	17,200	1,120	2,218	1,792	1,484	2,811	26,625
Accumulated depreciation	—	(1,039)	(2,008)	(1,238)	(1,440)	(1,741)	(7,466)
Net carrying amount	17,200	81	210	554	44	1,070	19,159
At 1 April 2015, net of accumulated depreciation	17,200	81	210	554	44	1,070	19,159
Additions	—	—	—	64	3	31	98
Disposals	—	—	—	—	—	(31)	(31)
Deficit on revaluation	(757)	—	—	—	—	—	(757)
Depreciation provided during the year	(443)	—	(41)	(178)	(16)	(152)	(830)
Exchange realignment	—	—	—	(2)	—	(3)	(5)
At 31 March 2016	16,000	81	169	438	31	915	17,634
At 31 March 2016:							
Cost or valuation	16,000	1,120	1,505	1,827	1,487	2,786	24,725
Accumulated depreciation	—	(1,039)	(1,336)	(1,389)	(1,456)	(1,871)	(7,091)
Net carrying amount	16,000	81	169	438	31	915	17,634

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Peak Vision Appraisals Limited, independent professionally qualified valuers, at an aggregate open market value of HK$18,300,000 (2016: HK$16,000,000) based on their existing use.

A revaluation surplus of HK$2,757,000 (2016: revaluation deficit of HK$757,000) resulting from the revaluation has been credited (2016: debited) to other comprehensive income.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$1,537,000 (2016: HK$1,589,000).

As at 31 March 2017, leasehold land and buildings of the Group with an aggregate carrying amount of HK$18,300,000 (2016: HK$16,000,000) were pledged to secure certain banking facilities granted to the Group (note 23).

Each year, the Group appoints external valuers to be responsible for the external valuations of the Group's properties and has discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's properties held for own use:

	Fair value measurement as at 31 March 2017 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Office premises and warehouse	**–**	**–**	**18,300**	**18,300**

	Fair value measurement as at 31 March 2016 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Office premises and warehouse	–	–	16,000	16,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2017 HK$'000	2016 HK$'000
Carrying amount at beginning of year	**16,000**	17,200
Depreciation	**(457)**	(443)
Surplus/(deficit) on revaluation recognised in other comprehensive income	**2,757**	(757)
Carrying amount at end of year	**18,300**	16,000

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Below is a summary of the valuation technique used and the key input to the valuation of properties held for own use:

	Valuation technique	Significant unobservable input	Range (weighted average)	
			2017	2016
Office premises and warehouse	Direct comparison approach	Market unit sale price (per square foot)	**HK$3,680**	HK$3,220

The direct comparison approach

Under the direct comparison approach, fair value is estimated using the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the properties, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per square foot.

The key input was the market price per square foot, and a significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the properties.

13. INVESTMENT PROPERTIES

	2017 **HK$'000**	2016 HK$'000
Carrying amount at beginning of year	**10,860**	11,656
Net gain/(loss) from fair value adjustment	**748**	(420)
Exchange realignment	**(647)**	(376)
Carrying amount at end of year	**10,961**	10,860

The Group's investment properties were revalued on 31 March 2017 based on valuations performed by Peak Vision Appraisals Limited, independent professionally qualified valuers, at HK$10,961,000 (2016: HK$10,860,000).

As at 31 March 2017, investment properties of the Group with a carrying amount of HK$10,961,000 (2016: HK$10,860,000) were leased to independent third parties.

The directors of the Company have determined that the investment properties are commercial properties, based on the nature, characteristics and risks of the properties. Each year, the Group appoints external valuers to be responsible for the external valuations of the Group's properties and has discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Particulars of the Group's investment properties are included on page 53.

13. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 March 2017 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties and a car park space	**—**	**—**	**10,961**	**10,961**

	Fair value measurement as at 31 March 2016 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties and a car park space	—	—	10,860	10,860

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2017 HK$'000	2016 HK$'000
Carrying amount at beginning of year	**10,860**	11,656
Net gain/(loss) from a fair value adjustment recognised in the statement of profit or loss	**748**	(420)
Exchange realignment	**(647)**	(376)
Carrying amount at end of year	**10,961**	10,860

13. INVESTMENT PROPERTIES (CONTINUED)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range (weighted average)	
			2017	2016
Commercial properties	Direct comparison approach	Market unit selling price (per square metre)	**RMB37,190**	RMB34,600
Car park space	Direct comparison approach	Market unit selling price	**RMB350,000**	RMB350,000

The direct comparison approach

Under the direct comparison approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the properties held for own use, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per square metre.

The key input was the market price, and a significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the properties held for own use.

14. CONSTRUCTION CONTRACTS

	2017 HK$'000	2016 HK$'000
Gross amount due from contract customers	**27,780**	30,011
Gross amount due to contract customers	**(124,840)**	(114,914)
	(97,060)	(84,903)
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	**3,587,733**	3,287,731
Less: Progress billings	**(3,684,793)**	(3,372,634)
	(97,060)	(84,903)

15. ACCOUNTS RECEIVABLE

	2017 HK$'000	2016 HK$'000
Accounts receivable	**82,219**	66,504
Impairment	**(8,276)**	(8,276)
	73,943	58,228
Retention monies receivable	**55,488**	42,650
	129,431	100,878

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

15. ACCOUNTS RECEIVABLE (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Current to 90 days	56,319	51,631
91 to 180 days	12,503	4,548
181 to 360 days	3,223	403
Over 360 days	1,898	1,646
	73,943	58,228
Retention monies receivable	55,488	42,650
Total	129,431	100,878

The movements in provision for impairment of accounts receivable are as follows:

	2017 HK$'000	2016 HK$'000
At beginning of year	8,276	4,373
Impairment loss recognised (note 6)	—	3,903
At end of year	8,276	8,276

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable as at 31 March 2017 of HK$8,276,000 (2016: HK$8,276,000) with a carrying amount before provision of HK$8,276,000 (2016: HK$8,276,000). The individually impaired accounts receivable relate to customers that were in financial difficulties or the customers that were in default in repayments and the receivables were not expected to be recovered.

The aged analysis of the accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	40,629	51,631
Less than 3 months past due	26,893	4,951
3 to 6 months past due	2,699	—
More than 6 months past due	3,722	1,646
	73,943	58,228

15. ACCOUNTS RECEIVABLE (CONTINUED)

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

None of the retention monies receivable is either past due or impaired.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Prepayments	**597**	583
Deposits	**1,171**	1,659
	1,768	2,242
Other receivables	**31,192**	24,591
Impairment	**(3,614)**	(3,638)
	27,578	20,953
	29,346	23,195

Except for other receivables against which impairment has been made, the remaining assets are neither past due nor impaired. The financial assets included in the above net balances relate to receivables for which there was no recent history of default.

The movements in the provision for impairment of other receivables are as follows:

	2017	2016
	HK$'000	HK$'000
At beginning of year	**3,638**	3,652
Exchange realignment	**(24)**	(14)
At end of year	**3,614**	3,638

Included in the above provision for impairment of other receivables is a provision for individual other receivables that defaulted in repayments and these receivables were not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	HK$'000
Listed equity investments, at market value	**65,301**	8,124

The above equity investments at 31 March 2017 and 31 March 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$94,557,000.

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017	2016
	HK$'000	HK$'000
Cash and bank balances	**62,642**	49,668
Time deposits	**19,180**	19,127
	81,822	68,795
Less: Pledged deposits for banking facilities (note 23)	**(32,780)**	(29,727)
Cash and cash equivalents	**49,042**	39,068

At 31 March 2017, the aggregate cash and bank balances and deposits of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$15,624,000 (2016: approximately HK$13,391,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

19. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Current to 90 days	**9,750**	30,144
91 to 180 days	**5,224**	1,082
181 to 360 days	**10,119**	—
Over 360 days	**2,693**	1,679
	27,786	32,905

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

20. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Other payables	**55,286**	42,334
Accruals	**17,009**	5,523
	72,295	47,857

Other payables are non-interest-bearing and repayable on demand.

21. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount due to a non-controlling shareholder is unsecured, interest-free and repayable on demand.

22. BALANCES WITH RELATED COMPANIES AND FELLOW SUBSIDIARIES

All the balances with related companies and fellow subsidiaries are unsecured, interest-free and repayable on demand.

The particulars of amounts due from related companies are as follows:

Name	**31 March 2017 HK$'000**	**Maximum amount outstanding during the year HK$'000**	1 April 2016 HK$'000
Excel Win Limited	**1,413**	1,413	1,413
Deson Development International Holdings Investment Limited	**100**	100	100
Asia Construction Holdings Limited	**4,238**	4,238	4,238
Ach Sirlanka (PVT) Limited	**143**	143	143
Grand On Enterprise Limited	**6**	19	—
	5,900		5,894

23. INTEREST-BEARING BANK BORROWINGS

	2017			2016		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank overdrafts — secured	**Prime rate (note) + 0.75**	**—**	**1,422**	Prime rate (note) + 0.75	—	18,035
Trust receipt loans — secured	**Prime rate (note) + 0.875**	**2017–2018**	**3,033**	Prime rate (note) + 0.875	2016–2017	13,475
			4,455			31,510

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans, overdrafts and trust receipt loans repayable within one year or on demand	**4,455**	31,510

Note: The rates represent the prevailing prime lending rates used by the respective banks in Hong Kong.

The carrying amounts of these bank borrowings approximate to their fair values as at the end of the reporting period. The fair value of bank borrowings has been calculated by discounting the expected future cash flows at the prevailing interest rates.

All borrowings are in Hong Kong dollars.

The Group's banking facilities are secured by:

(i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK$18,300,000 (2016: HK$16,000,000) (note 12); and

(ii) the pledge of the Group's deposits of HK$32,780,000 (2016: HK$29,727,000) (note 18).

24. CONVERTIBLE BONDS

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

24. CONVERTIBLE BONDS (CONTINUED)

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

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

The fair value of the derivative component was determined based on the valuation performed by Peak Vision Appraisals Limited, an independent qualified professional valuer, using the applicable option pricing model.

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

	Liability component HK$000	Derivative component HK$000	Total HK$000
At 18 April 2016	**23,455**	7,445	30,900
Transaction costs	**(725)**	–	(725)
Interest expense (note 7)	**2,870**	–	2,870
Fair value adjustment (note 6)	**–**	876	876
At 31 March 2017	**25,600**	8,321	33,921

25. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	2017			
	Decelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Withholding taxes HK$'000	Total HK$'000
At 31 March 2016 and 1 April 2016	(2,068)	4,498	337	2,767
Deferred tax credited to the statement of profit or loss during the year (note 10)	(279)	187	(151)	(243)
Deferred tax debited to the statement of comprehensive income during the year	–	455	–	455
Exchange realignment	–	(106)	–	(106)
Deferred tax liabilities at 31 March 2017	(2,347)	5,034	186	2,873

25. DEFERRED TAX (CONTINUED)

	2016			
	Decelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 April 2015	(54)	4,790	299	5,035
Deferred tax credited to the statement of profit or loss during the year (note 10)	(2,014)	(105)	38	(2,081)
Deferred tax credited to the statement of comprehensive income during the year	—	(125)	—	(125)
Exchange realignment	—	(62)	—	(62)
Deferred tax liabilities at 31 March 2016	(2,068)	4,498	337	2,767

The Group has estimated tax losses arising in Hong Kong of approximately HK$450,518,000 (2016: HK$512,892,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Mainland China of approximately HK$1,503,000 (2016: Nil) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries with uncertain future operating profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China.

The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. SHARE CAPITAL

Shares

	2017	2016
	HK$'000	HK$'000
Authorised:		
4,000,000,000 (2016: 4,000,000,000) ordinary shares of HK$0.025 (2016: HK$0.025) each	**100,000**	100,000
Issued and fully paid:		
1,000,000,000 (2016: 1,000,000,000) ordinary shares of HK$0.025 (2016: HK$0.025) each	**25,000**	25,000

A summary of movements in the Company's issued ordinary share capital and share premium account is as follows:

	Notes	**Number of shares in issue**	**Issued capital**	**Share premium account**	**Total**
			HK$'000	HK$'000	HK$'000
At 31 March 2015 and 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 March 2016, 1 April 2016 and 31 March 2017		1,000,000,000	25,000	9,381	34,381

Notes:

(i) On 23 April 2015, the board of directors of the Company proposed the subdivision of shares 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 Shares**"), 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 subdivision of shares 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 names appeared on the register of members on 25 September 2015. The issue of bonus shares was approved upon the 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.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the financial statements.

27. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of any member of the Group. 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 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 day 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 following share options were outstanding under the Scheme during the year:

	Weighted average exercise price HK$	**Number of options '000**	**Exercise price* HK$**	**Exercise period**
At 1 April 2016 and 31 March 2017	**0.28**	**18,000**	**0.28**	3 February 2016 to 2 February 2019

27. SHARE OPTION SCHEME (CONTINUED)

* 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 fair value of the share options granted in the prior year was HK$1,183,000 (HK$0.0657 each), which the Group recognised as a share option expense during the year ended 31 March 2016.

	2016
Dividend yield (%)	0.784
Expected volatility (%)	43.458
Historical volatility (%)	N/A
Risk-free interest rate (%)	0.969
Expected life of options (year)	3
Weighted average share price (HK$ per share)	0.0657

The expected life of the options is based on the historical data over the past three years/since incorporation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

No share option was exercised for both years and no share option was granted during the year ended 31 March 2017.

At the date of approval of these financial statements, the Company had 18,000,000 share options outstanding under the Scheme, which represented approximately 1.8% of the Company's shares in issue as at that date.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on page 64 of the financial statements.

29. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2017	2016
Percentage of equity interest held by non-controlling interests:		
Beijing Chang-de	**40%**	40%

29. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

	2017 HK$'000	2016 HK$'000
Profit for the year allocated to non-controlling interests:		
Beijing Chang-de	**1,242**	1,491
Accumulated balances of non-controlling interests at the reporting dates:		
Beijing Chang-de	**8,350**	7,571

The following tables illustrate the summarised unaudited financial information of Beijing Chang-de. The amounts disclosed are before any inter-company eliminations:

	2017 HK$'000	2016 HK$'000
Revenue	**190,808**	234,194
Total expenses	**(187,702)**	(230,465)
Profit for the year	**3,106**	3,729
Total comprehensive income for the year	**1,947**	3,222
Current assets	**32,908**	14,157
Non-current assets	**11,004**	10,930
Current liabilities	**(21,191)**	(4,394)
Non-current liabilities	**(1,845)**	(1,764)
Net cash flows from/(used in) operating activities	**3,489**	(1,222)
Net cash flows from investing activities	**326**	690
Net increase/(decrease) in cash and cash equivalents	**3,815**	(532)

30. OPERATING LEASE ARRANGEMENTS

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

30. OPERATING LEASE ARRANGEMENTS (CONTINUED)

As at 31 March 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**762**	2,542
In the second to fifth years, inclusive	**1,265**	1,517
	2,027	4,059

31. RELATED PARTY TRANSACTIONS

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

	Notes	**2017** **HK$'000**	2016 HK$'000
Management fees received from former fellow subsidiaries	(i)	**54**	43
Rental expenses paid to former fellow subsidiaries	(ii)	**1,744**	1,792

Tha above former fellow subsidiaries have become related companies of the Group starting from 31 March 2017, as further detailed in note 1 to the financial statements.

Notes:

(i) The management fees received were charged by reference to actual costs incurred for the services provided by the Group.

(ii) Rental expenses were charged by the Group's former fellow subsidiaries, Grand On Enterprise Limited and Hua Sheng International Real Estate Development (Shanghai) Co., Ltd., at HK$143,000 and RMB4,300 per month, respectively.

(b) Outstanding balances with related parties:

(i) Details of the Group's balance with its non-controlling shareholder as at the end of the reporting period are included in note 21 to the financial statements.

(ii) Details of the Group's balances with its related companies and fellow subsidiaries as at the end of the reporting period are included in note 22 to the financial statements.

(c) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 8 to the financial statements.

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

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at fair value through profit or loss	
	2017	2016
	HK$'000	HK$'000
Equity investments at fair value through profit or loss — Held for trading (note 17)	**65,301**	8,124

	Loans and receivables	
	2017	2016
	HK$'000	HK$'000
Due from related companies	**5,900**	5,894
Due from fellow subsidiaries	**—**	27
Accounts receivable	**129,431**	100,878
Financial assets included in prepayments, deposits and other receivables (note 16)	**28,749**	22,612
Pledged deposits	**32,780**	29,727
Cash and cash equivalents	**49,042**	39,068
	245,902	198,206

Financial liabilities

	Financial liabilities at amortised cost	
	2017	2016
	HK$'000	HK$'000
Accounts payable	**27,786**	32,905
Financial liabilities included in other payables and accruals	**70,280**	45,842
Due to a non-controlling shareholder	**1,500**	1,500
Due to a fellow subsidiary	**—**	14
Due to a related company	**14**	—
Interest-bearing bank borrowings	**4,455**	31,510
Liability component of convertible bonds	**25,600**	—
	129,635	111,771

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at fair value through profit or loss	
	2017	2016
	HK$'000	HK$'000
Derivative component of convertible bonds	**8,321**	—

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Equity investments at fair value through profit or loss				
— Held for trading (note 17)	**65,301**	8,124	**65,301**	8,124
Financial liabilities				
Derivative component of convertible bonds	**8,321**	—	**8,321**	—

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, accounts receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, and balances with a non-controlling shareholder, related companies and fellow subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of listed equity investments is based on quoted market prices.

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

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial instruments measured at fair value

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2017:

	Valuation technique	Significant unobservable inputs	Ratio	Sensitivity of fair value to the inputs
Derivative component of convertible bonds	Binomial model	Volatility	44.88%	A 10% increase in the volatility adopted would result in an increase to the fair value by $625,000, while a 10% decrease in the volatility adopted would result in a decrease to the fair value by $636,000.
		Risky discount rate	8.36%–9.12%	A 10% increase in the risky discount rate adopted would result in an increase to the fair value by $157,000, while a 10% decrease in the risky discount rate adopted would result in a decrease to the fair value by $162,000.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2017

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

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 March 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	8,124	—	—	8,124

Liabilities measured at fair value:

As at 31 March 2017

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

The Group did not have any financial liabilities measured at fair value as at 31 March 2016.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, convertible bonds, balances with a non-controlling shareholder, related companies and fellow subsidiaries, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as equity investments at fair value through profit or loss, accounts receivable, accounts payable, deposits and other receivables, and other payables and accruals which arise directly from its operations.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates in Hong Kong.

The interest rates and terms of repayment of interest-bearing bank borrowings are disclosed in note 23 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans and overdrafts, cash and bank balances, and short term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are charged to the consolidated statement of profit or loss as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's results before tax and equity (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2017			
Hong Kong dollar	**100**	**(223)**	**—**
Hong Kong dollar	**(100)**	**223**	**—**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2016			
Hong Kong dollar	100	(286)	—
Hong Kong dollar	(100)	286	—

* Excluding retained profits

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The monetary assets and transactions of certain subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's results before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	**Increase/ (decrease) in profit before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2017			
If the Hong Kong dollar weakens against RMB	**5**	**618**	**—**
If the Hong Kong dollar strengthens against RMB	**(5)**	**(618)**	**—**

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2016			
If the Hong Kong dollar weakens against RMB	5	544	—
If the Hong Kong dollar strengthens against RMB	(5)	(544)	—

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise amounts due from related companies and fellow subsidiaries, deposits and other receivables, cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and deposits and other receivables are disclosed in notes 15 and 16 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and other interest-bearing borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against that of its financial assets, and the maintenance of a current ratio, defined as current assets over current liabilities, at above one so as to enhance stable liquidity.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2017			
	On demand HK$'000	**Less than 12 months HK$'000**	**1 to 3 years HK$'000**	**Total HK$'000**
Accounts payable	—	27,786	—	27,786
Financial liabilities included in other payables and accruals	70,280	—	—	70,280
Due to a non-controlling shareholder	1,500	—	—	1,500
Due to a related company	14	—	—	14
Interest-bearing bank borrowings	1,422	3,073	—	4,495
Convertible bonds	—	618	32,136	32,754
	73,216	31,477	32,136	136,829

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	2016 On demand HK$'000	Less than 12 months HK$'000	Total HK$'000
Accounts payable	—	32,905	32,905
Financial liabilities included in other payables and accruals	45,842	—	45,842
Due to a non-controlling shareholder	1,500	—	1,500
Due to a fellow subsidiary	14	—	14
Interest-bearing bank borrowings	18,035	13,661	31,696
	65,391	46,566	111,957

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 31 March 2016.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, other payables and accruals, amounts due to a non-controlling shareholder and a related company, interest-bearing bank borrowings and the liability component of convertible bonds, less pledged deposits and cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2017 **HK$'000**	2016 HK$'000
Accounts payable	**27,786**	32,905
Other payables and accruals	**72,295**	47,857
Due to a non-controlling shareholder	**1,500**	1,500
Due to a fellow subsidiary	**—**	14
Due to a related company	**14**	—
Interest-bearing bank borrowings	**4,455**	31,510
Liability component of convertible bonds	**25,600**	—
Less: Pledged deposits	**(32,780)**	(29,727)
Less: Cash and cash equivalents	**(49,042)**	(39,068)
Net debt	**49,828**	44,991
Capital	**95,503**	29,654
Total capital and net debt	**145,331**	74,645
Gearing ratio	**34%**	60%

35. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation, as in the opinion of the directors, the presentation would better reflect the financial performance of the Group.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 **HK$'000**	2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**64,714**	34,648
CURRENT ASSETS		
Cash and cash equivalents	**97**	39
CURRENT LIABILITIES		
Accruals	**664**	660
Derivative component of convertible bonds	**8,321**	—
Total current liabilities	**8,985**	660
NET CURRENT LIABILITIES	**(8,888)**	(621)
TOTAL ASSETS LESS CURRENT LIABILITIES	**55,826**	34,027
NON-CURRENT LIABILITIES		
Liability component of convertible bonds	**25,600**	—
Net assets	**30,226**	34,027
EQUITY		
Issued capital	**25,000**	25,000
Reserves (note)	**5,226**	9,027
Total equity	**30,226**	34,027

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	**Share option reserve** HK$'000	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000
At 1 April 2015	14,381	—	4,650	19,031
Loss for the year and total comprehensive loss for the year	—	—	(6,187)	(6,187)
Issue of bonus shares	(5,000)	—	—	(5,000)
Equity-settled share option arrangements	—	1,183	—	1,183
At 31 March 2016 and 1 April 2016	**9,381**	**1,183**	**(1,537)**	**9,027**
Loss for the year and total comprehensive loss for the year	**—**	**—**	**(3,801)**	**(3,801)**
At 31 March 2017	**9,381**	**1,183**	**(5,338)**	**5,226**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2017.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

	Years ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
REVENUE	**917,804**	813,264	750,075	825,379	540,226
PROFIT/(LOSS) BEFORE TAX	**68,808**	11,505	(1,336)	20,360	10,434
Income tax credit/(expense)	**(2,034)**	840	(3,447)	(4,408)	(3,160)
PROFIT/(LOSS) FOR THE YEAR	**66,774**	12,345	(4,783)	15,952	7,274
Attributable to:					
Owners of the Company	**65,535**	10,856	(3,977)	15,946	7,620
Non-controlling interests	**1,239**	1,489	(806)	6	(346)
	66,774	12,345	(4,783)	15,952	7,274

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**371,349**	267,908	190,922	1,289,797	1,199,016
Total liabilities	**(268,818)**	(232,002)	(162,664)	(1,038,033)	(972,622)
Non-controlling interests	**(7,028)**	(6,252)	(4,966)	(5,823)	(5,817)
	95,503	29,654	23,292	245,941	220,577

The summary of the consolidated results of the Group for the two years ended 31 March 2013 and 31 March 2014 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 March 2013 and 2014 have been extracted from the prospectus of the Company dated 24 December 2014. Such summary is presented on the basis as set out in the prospectus.