



迪臣建設國際集團有限公司

Deson Construction International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8268

FIRST QUARTERLY REPORT 2017

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

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2017 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding periods in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2017

		(Unaudited) Three months ended 30 June	
	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	4	228,859	260,247
Cost of sales		(190,193)	(217,293)
		<hr/>	
Gross profit		38,666	42,954
Other income and gains	4	338	473
Administrative expenses		(7,942)	(7,413)
Other operating income/(expenses), net		(1)	2,919
Finance costs	6	(815)	(648)
		<hr/>	
PROFIT BEFORE TAX	5	30,246	38,285
Income tax credit	7	56	42
		<hr/>	
PROFIT FOR THE PERIOD		30,302	38,327
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Attributable to:			
Owners of the Company		29,766	37,433
Non-controlling interests		536	894
		<hr/>	
		30,302	38,327
		<hr/>	
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK2.98 cents	HK3.74 cents
		<hr/>	
Diluted		HK2.77 cents	HK3.51 cents
		<hr/>	

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2017

	(Unaudited)	
	Three months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	30,302	38,327
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	726	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	726	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	31,028	38,327
Attributable to:		
Owners of the Company	30,340	37,433
Non-controlling interests	688	894
	31,028	38,327

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2017

	Attributable to owners of the Company										
	Issued capital	Share premium	Contribution surplus	Property revaluation reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016 (audited)	25,000	9,381	(5,372)	14,294	1,183	3,939	5,581	(24,352)	29,654	6,252	35,906
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	—	37,433	37,433	894	38,327
Release of revaluation reserve	—	—	—	(170)	—	—	—	170	—	—	—
At 30 June 2016	25,000	9,381	(5,372)	14,124	1,183	3,939	5,581	13,251	67,087	7,146	74,233
At 1 April 2017 (audited)	25,000	9,381	(5,372)	15,916	1,183	1,951	5,581	41,863	95,503	7,028	102,531
Profit for the period	—	—	—	—	—	—	—	29,766	29,766	536	30,302
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	574	—	—	574	152	726
Total comprehensive income for the period	—	—	—	—	—	574	—	29,766	30,340	688	31,028
Release of revaluation reserve	—	—	—	(108)	—	—	—	108	—	—	—
At 30 June 2017	25,000	9,381	(5,372)	15,808	1,183	2,525	5,581	71,737	125,843	7,716	133,559

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

In the prior periods 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.

2. Basis of preparation

The unaudited condensed consolidated financial statements for the three months ended 30 June 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the three months ended 30 June 2017 are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 March 2017. These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual report for the year ended 31 March 2017.

2. Basis of preparation (Continued)

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

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

3. 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.

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 expenses, 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.

3. Operating segment information (Continued)

For the three months ended 30 June

	Construction business		Securities investment		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Segment revenue:						
Income from external customers	199,575	227,363	29,284	32,884	228,859	260,247
Other income and gains	246	458	—	—	246	458
	199,821	227,821	29,284	32,884	229,105	260,705
Segment results						
Operating profit	3,710	6,991	28,406	32,884	32,116	39,875
<i>Reconciliation:</i>						
Interest income					92	15
Unallocated expenses					(1,147)	(957)
Finance costs					(815)	(648)
Profit before tax					30,246	38,285
Other segment information:						
Loss on disposal of items of property, plant and equipment	25	—	—	—	25	—
Depreciation	205	249	—	—	205	249

Geographical information

Revenue from external customers

	(Unaudited)	
	Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Hong Kong	156,768	192,876
Mainland China	67,888	62,663
Macau	4,203	4,708
	228,859	260,247

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

4. Revenue, other income and gains

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

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

	(Unaudited)	
	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Revenue		
Income from the construction contracting and related business	199,575	227,363
Fair value gain on equity investments at fair value through profit or loss, net	29,199	32,884
Dividend income from equity investments at fair value through profit or loss	85	—
	228,859	260,247
Other income and gains		
Bank interest income	92	15
Gross rental income	154	—
Others	92	458
	338	473

5. Profit before tax

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

	(Unaudited)	
	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Cost of construction contracting	190,193	217,293
Depreciation	205	249
Minimum lease payments under operating leases on land and buildings	502	650
Loss on disposal of items of property, plant and equipment [^]	25	—
Rental income on investment properties	154	—
Less: outgoings	(29)	—
	<hr/>	<hr/>
Rental income	125	—
	<hr/>	<hr/>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	7,327	7,136
Pension scheme contributions*	220	224
Less: Amount capitalised	(2,953)	(3,221)
	<hr/>	<hr/>
	4,594	4,139
	<hr/>	<hr/>
Foreign exchange differences, net [^]	(24)	—
	<hr/>	<hr/>
Fair value gain on the derivative components of convertible bonds [^]	—	(2,919)
	<hr/>	<hr/>

* At 30 June 2017, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2016: Nil).

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

6. Finance costs

An analysis of finance costs is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	28	155
Interest on convertible bonds	815	610
Less: Interest capitalised	(28)	(117)
	<hr/>	
	815	648
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7. Income tax

Hong Kong profits tax had been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the three months ended 30 June 2017 and 2016, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	(Unaudited)	
	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	—	—
Current — Elsewhere		
Charge for the period	—	2
Deferred	(56)	(44)
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Total tax credit for the period	(56)	(42)
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8. Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (30 June 2016: 1,000,000,000) in issue during the Reporting Period.

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

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

	(Unaudited)	
	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	29,766	37,433
Interest on convertible bonds	815	610
	30,581	38,043

8. Earnings per share attributable to ordinary equity holders of the Company (Continued)

	(Unaudited) Three months ended 30 June	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,000,000,000	1,000,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options*	—	—
Convertible bonds	103,000,000	83,758,242
	1,103,000,000	1,083,758,242

* The share options granted on 3 February 2016 had an anti-dilutive effect on the basis earnings per share and have not been included in the diluted earnings per share calculation for the three months ended 30 June 2017 and 30 June 2016.

9. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2017 (three months ended 30 June 2016: Nil).

10. Share capital

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2017 and 30 June 2017	1,000,000,000	25,000	9,381	34,381

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's principal business are: (i) acting as a contractor in the building industry operating in Hong Kong, the mainland of the People's Republic of China (the "PRC") and Macau, where we provide one-stop comprehensive services with the following three major types of services: (a) building construction works; (b) electrical and mechanical engineering ("E&M") works; and (c) alterations, addition, renovation, refurbishment and fitting-out works; and (ii) investment in securities, where the Group invests in long term and short term investments in marketable securities.

The Group's turnover for the three months ended 30 June 2017 recorded at approximately HK\$229 million which represented a decrease of 12% from approximately HK\$260 million for the three months ended 30 June 2016.

(i) Construction Segment

(a) Building construction works:

For the three months ended 30 June 2017, revenue recorded from this section amounted to approximately HK\$22,094,000 (three months ended 30 June 2016: approximately HK\$60,806,000). The significant decrease by 63.7% was because several contracts were completed for the year ended 31 March 2017 and no revenue was recognised during the Reporting Period. These contracts include (i) main contractor works for eight residential houses at Pik Sha Road, Hong Kong; (ii) main contractor works for the development of a 12-storey residential building at Stubbs Road, Hong Kong; and (iii) main contractor for development of one residential house and associated external works including construction of sub-structure and superstructure works, building services and interior fitting out works at Hoi Fung Path, Stanley, Hong Kong.

The above decrease was partly offset by the additional turnover recognised for the site formation and foundation works at Peak Road, Hong Kong which was commenced in July 2016, thus no revenue was recognised in last reporting period.

(b) Electrical and mechanical engineering works:

For the three months ended 30 June 2017, revenue recorded from this section amounted to approximately HK\$78,397,000 (three months ended 30 June 2016: approximately HK\$53,997,000). The significant increase by 45.2% was mainly due to the commencement of the following projects after last period end: (i) building services installation works of two special schools at To Kwa Wan, Kowloon, Hong Kong; (ii) building services installation works of 36-Classroom primary school at Fanling, New Territories, Hong Kong; and (iii) supply and installation of E&M works at East Point Centre, Causeway Bay, Hong Kong.

The above increase was partly offset by some projects which are substantially completed before April 2017 and less revenue was recognised in this Reporting Period. These projects include: (i) building services installation works of two 30-classroom primary school at Kai Tak, Kowloon, Hong Kong; and (ii) fire services and MVAC installation of Multimedia Production And Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong.

(c) Fitting-out works:

For the three months ended 30 June 2017, revenue recorded from this section amounted to approximately HK\$99,084,000 million (three months ended 30 June 2016: approximately HK\$112,560,000). The decrease by 12.0% was because the addition and alteration works and fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Kowloon were completed for the year ended 31 March 2017 and no revenue was recognised during this Reporting Period.

The above decrease was partly offset by the additional turnover recognised for two fitting-out works contracts of residential houses at Henderson Road, Hong Kong which was commenced in January 2017 and April 2017 respectively, thus no revenue was recognised in last reporting period.

(ii) Investment in Marketable Securities Segment

For the three months ended 30 June 2017, revenue recorded from this segment amounted to approximately HK\$29,284,000 (three months ended 30 June 2016: approximately HK\$32,884,000). It was mainly attributable to gains from disposal of securities in the market.

As at 30 June 2017, the Group managed a portfolio of listed equity investments with fair value of approximately HK\$39 million (2016: HK\$33 million) which are classified as equity investments at fair value through profit or loss. During the Reporting Period, the Group recorded a loss on fair value change of listed equity investments of approximately HK\$2 million (three months ended 30 June 2016: gain of approximately HK\$7 million) and a realised gain of approximately HK\$31 million (three months ended 30 June 2016: approximately HK\$26 million). The Directors consider the development of this investment in marketable securities 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. Details of the marketable securities are disclosed under the section "**SIGNIFICANT INVESTMENTS**".

Due to the (i) decrease in profit generated from the Group's provision of building construction works and fitting-out works for the three months ended 30 June 2017 as compared with that for the three months ended 30 June 2016 and (ii) drop of the market value of the marketable securities on hand as at 30 June 2017, an unrealised loss was noted from the trading of marketable securities for the three months ended 30 June 2017 as compared with the unrealised gain noted for the three months ended 30 June 2016, the net profit attributable to owners of the Company decreased to approximately HK\$29,766,000 as compared with the net profit attributable to owners of the Company which amounted to approximately HK\$37,433,000 for the three months ended 30 June 2016. Basic earnings per share is HK2.98 cents for the period ended 30 June 2017.

Financial review

Turnover

For the three months ended 30 June 2017, the Group's turnover amounted to approximately HK\$229 million, decreased by approximately 12% as compared to the last corresponding period. The decrease in turnover was mainly due to the completion of several building construction works and fitting-out works projects for the year ended 31 March 2017 and no turnover was recognised in this Reporting Period. Further, the unrealised loss recognised for the marketable securities on hand also caused the drop in the Group's revenue.

Gross profit margin

Our gross profit decreased by approximately HK\$4.3 million or 10.0%, from approximately HK\$43.0 million for the three months ended 30 June 2016 to approximately HK\$38.7 million for the three months ended 30 June 2017. During the three months ended 30 June 2017, the gross profit margin was approximately 17%, which is similar to the last reporting period.

Other income

Other income decreased by approximately HK\$0.2 million or 28.5% from approximately HK\$0.5 million for the three months ended 30 June 2016 to approximately HK\$0.3 million for the three months ended 30 June 2017. The decrease is mainly because more penalties were charged to sub-contractors during the last reporting period, in the event of non-compliance with rules set by our Group (including but not limited to safety rules), by their staff at our project site.

Administrative expenses

Administrative expenses increased by approximately HK\$0.5 million or 7.1% from approximately HK\$7.4 million for the three months ended 30 June 2016 to approximately HK\$7.9 million for the three months ended 30 June 2017. The increase was mainly due to the rise of staff cost due to annual salary review for staff.

Finance costs

Finance costs increased by approximately HK\$0.2 million or 25.8% from approximately HK\$0.6 million for the three months ended 30 June 2016 to approximately HK\$0.8 million for the three months ended 30 June 2017. The increase was mainly due to the finance costs incurred for the convertible bonds issued in April 2016.

Contingent liabilities

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

Commitments

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

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK\$18,173,000 (31 March 2017: HK\$18,300,000); and
- (ii) the pledge of the Group's time deposits of HK\$32,793,000 (31 March 2017: HK\$32,780,000).

Treasury policies

The Directors will continue to follow a prudent policy in managing its cash balances and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. 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 arise.

Capital structure of the Group

Details of the movements in the Company's share capital are set out in note 10 to the financial statements.

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

On 18 April 2016, the Convertible Bonds in the aggregate principal amount of HK\$30,900,000 were successfully placed to six placees.

Based on the initial conversion price of HK\$0.30 per conversion share, 103,000,000 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds which represent approximately 10.3% of the existing issued share capital of the Company as at the date of approval of these financial statements.

SIGNIFICANT INVESTMENTS

As at 30 June 2017, the Group held approximately HK\$38.7 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 values HK\$'000	Approximate percentage of equity investments at fair value through profit or loss %	Approximate percentage to the net assets of the Group %
InvesTech Holdings Limited	1	1087	Cayman Islands	(1,403)	2,239	5.8	1.4
Agricultural Bank of China Limited	2	1288	PRC	2	369	0.9	0.2
Industrial and Commercial Bank of China Limited	3	1398	PRC	—	527	1.4	0.3
Pantronics Holdings Limited	4	1611	British Virgin Islands	(258)	1,961	5.1	1.2
ChinaAMC CSI 300 Index ETF	5	3188	N/A	3	431	1.1	0.3
Jia Meng Holding Holdings Limited	6	8101	Cayman Islands	(2,275)	9,009	23.3	5.6
China Information Technology Development Limited	7	8178	Cayman Islands	(2,300)	12,998	33.5	8.0
Echo International Holdings Group Limited	8	8218	Cayman Islands	(990)	1,010	2.6	0.6
Koala Financial Group Limited	9	8226	Cayman Islands	5,190	10,200	26.3	6.3
				(2,031)	38,744		

Notes:

- 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.
- Agricultural Bank of China Limited is principally engaged in (i) corporate banking; (ii) personal banking; and (iii) treasury operations. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately RMB1,321,591,000,000 as at 31 December 2016.

3. Industrial and Commercial Bank of China Limited was principally engaged in (i) corporate banking; (ii) personal banking; and (iii) treasury operations. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately RMB1,981,163,000,000 as at 31 December 2016.
4. Pantronics Holdings Limited is principally engaged in the electronic manufacturing services. HK\$85,000 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.
5. ChinaAMC CSI 300 Index ETF (“**Sub-Fund**”) is a sub-fund of ChinaAMC ETF Series. The Sub-Fund is domiciled in Hong Kong. All of the Sub-Fund’s income is derived from investments in securities which constitute its tracked index. The Sub-Fund’s investments are mainly domiciled in the PRC. According to its latest published financial statements, it had net asset value of approximately RMB9,475,921,000 as at 31 December 2016.
6. 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\$415,433,000 as at 31 March 2017.
7. 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.
8. 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\$13,185,000 as at 31 March 2017.
9. Koala Financial Group Limited is principally engaged in (i) securities investment; (ii) trading of commodities; (iii) trading of garment accessories; and (iv) manufacturing 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.

During the three months ended 30 June 2017, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$57 million and income recognised in revenue for the amount of HK\$31 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/ (loss) HK\$'000
Master Glory Group Limited	275	Bermuda	973	9
Zhuguang Holdings Group Company Limited	1176	Bermuda	3,694	824
Leap Holdings Group Limited	1499	Cayman Islands	5,603	(1,992)
China Candy Holdings Limited	8182	Cayman Islands	44,016*	31,796
First Credit Finance Group Limited	8215	Cayman Islands	2,793	593
			<u>57,079</u>	<u>31,230</u>

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

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

Prospect

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

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

During the Reporting Period, new projects such as alterations and additions works including E&M works for factory building at Chatham Road North, Hung Hom, Hong Kong, fitting-outs works of a residential house at Henderson Road, Hong Kong, replacement of deteriorated auto-fire alarm panel at General Post Office and Victoria Park swimming pool, Hong Kong, supply and installation of new fire detectors for Kowloon Shangri-La, Hong Kong, fitting-out works of China Meteorological Administration at Changping, Beijing, the PRC and fitting-out works of office at Shanxi, Taiyuan, the PRC. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,372 million.

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

While the outlook for the construction industry in Hong Kong looks promising in the long run, there remain challenges that are unlikely to dissipate in the near future. They include continuous rising labour wages and cost of construction materials and shortage of skilled labour. In addition, the sluggish progress of deliberation in the Legislative Council, which has resulted in the mounting backlog of funding proposals, and delays in 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, our Directors believe that the Group could grasp such opportunities and selectively expand into the third- and fourth-tier cities in the PRC leveraging on our established expertise.

Looking forward, our 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. Our Directors are of the view that the number of properties to be built and renovated in Hong Kong is the key driver for the growth of the Hong Kong building services industry.

With the Group's experienced management team and reputation in the market, our 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 application for additional licences, permits or qualifications which may be required; and (ii) exercise more caution when tendering for new construction contracts and continue to selectively undertake new contracts.

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the “**Share Option Scheme**”) on 11 August 2015, the Company has adopted the Share Option Scheme. Under the terms of the Share Option Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. The Company had 80,000,000 share options available for issue under the Share Option Scheme, which represented approximately 8% of the issued shares of the Company as at 30 June 2017.

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

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

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

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

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

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

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	Price of the Company's shares**	
	At 1 April 2017	Granted during the period	Exercised during the period	At 30 June 2017			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
	<u>10,800,000</u>	<u>—</u>	<u>—</u>	<u>10,800,000</u>				
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	<u>18,000,000</u>	<u>—</u>	<u>—</u>	<u>18,000,000</u>				

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

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

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

As at 30 June 2017 the interests and short positions of the each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any associated corporation (within in the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules, were as follows:

A. Long positions in ordinary shares of the Company

Name of Directors	Number of ordinary shares held, capacity and nature of interest		Number of underlying ordinary shares of HK\$0.025 each in the Company	Options*	Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation				
Mr. Keung Kwok Cheung	—	—	—	2,400,000	2,400,000	0.24%
Mr. Kwok Koon Keung	500	—	—	2,200,000	2,200,500	0.22%
Mr. Lo Wing Ling	—	—	—	2,200,000	2,200,000	0.22%
Mr. Ong Chi King	8,802,000	—	—	1,000,000	9,802,000	0.98%
Mr. Tjia Boen Sien	22,887,200	338,414,868	—	—	361,302,068	36.13%
("Mr. Tjia")	—	(Note 1)	—	—	—	—
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 period. 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 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 Directors	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 30 June 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 Directors	Number of ordinary shares of HK\$0.10 each in DDIHL		Options*	Total	Percentage of the DDIHL's issued share capital
	Directly beneficially owned	Through controlled corporation			
Mr. Tjia	68,661,600(L)	349,935,000(L)	160,000	418,756,600	42.82%
		(Note 1)			
Mr. Keung Kwok Cheung	300,000(L)	—	1,500,000	1,800,000	0.18%
Mr. Kwok Koon Keung	1,500(L)	—	500,000	501,500	0.05%
Mr. Lo Wing Ling	—	—	500,000	500,000	0.05%
Mr. Lee Tho Siem	1,785,000(L)	—	—	1,785,000	0.18%
	(Note 2)				

Notes:

(L) denotes long position.

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

- Mr. Tjia beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. Sparta Assets directly beneficially owned 349,935,000 shares in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 349,935,000 shares in DDIHL held by Sparta Assets.
- Mr. Lee Tho Siem directly beneficially owned 1,110,000 shares and is deemed to be interested in 675,000 shares held by his spouse, Ms. Wong Kam Ching. By virtue of the SFO, Ms. Wong Kam Ching’s interest is taken to be Mr. Lee Tho Siem’s interest.

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

Name of Directors	Exercise price per share HK\$	Balance as at 30 June 2017
Mr. Tjia	0.71	160,000
Mr. Keung Kwok Cheung	0.71	1,500,000
Mr. Kwok Koon Keung	0.71	500,000
Mr. Lo Wing Ling	0.71	500,000

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

As at 30 June 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 30 June 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 30 June 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 (<i>Note 1</i>)	311,769,868	31.18%
Sparta Assets	Beneficial owner	26,645,000	2.66%
	Interest in controlled corporations (<i>Note 2</i>)	311,769,868	31.18%
Like Capital Limited	Beneficial owner (<i>Note 3</i>)	55,009,000	5.50%
Ethnocentric Investment Limited	Interest in controlled corporation (<i>Note 3</i>)	55,009,000	5.50%
Capital VC Limited	Interest in controlled corporation (<i>Note 3</i>)	55,009,000	5.50%

Notes:

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

Save as disclosed above, at 30 June 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 headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation” above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTEREST IN COMPETING BUSINESSES

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 30 June 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

AUDIT COMMITTEE

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

The unaudited quarterly results of the Company for the three month ended 30 June 2017 have been reviewed by the audit committee members who have provided advice and comments thereon.

By order of the Board

Deson Construction International Holdings Limited
Keung Kwok Cheung

Chief Executive Officer and Executive Director

Hong Kong, 7 August 2017

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