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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 RESULTS
FOR THE YEAR ENDED 31 MARCH 2018**

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

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

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

*This announcement, 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 announcement 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 announcement misleading.*

ANNUAL RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
REVENUE	4	792,010	917,804
Cost of sales		<u>(706,711)</u>	<u>(815,150)</u>
Gross profit		85,299	102,654
Other income and gains	4	1,296	1,181
Fair value gain/(loss) on investment properties		(1,770)	748
Administrative expenses		(37,361)	(31,977)
Other operating expenses, net		(14,364)	(843)
Finance costs	6	<u>(3,453)</u>	<u>(2,955)</u>
PROFIT BEFORE TAX	5	29,647	68,808
Income tax expense	7	<u>(905)</u>	<u>(2,034)</u>
PROFIT FOR THE YEAR		<u>28,742</u>	<u>66,774</u>
Attributable to:			
Owners of the Company		38,831	65,535
Non-controlling interests		<u>(10,089)</u>	<u>1,239</u>
		<u>28,742</u>	<u>66,774</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK3.88 cents</u>	<u>HK6.55 cents</u>
Diluted		<u>HK3.29 cents</u>	<u>HK6.31 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 March 2018*

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
PROFIT FOR THE YEAR	28,742	66,774
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>2,726</u>	<u>(2,451)</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of leasehold land and buildings	1,607	2,757
Income tax effect	<u>(265)</u>	<u>(455)</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	<u>1,342</u>	<u>2,302</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>4,068</u>	<u>(149)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>32,810</u>	<u>66,625</u>
Attributable to:		
Owners of the Company	42,612	65,849
Non-controlling interests	<u>(9,802)</u>	<u>776</u>
	<u>32,810</u>	<u>66,625</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		20,567	19,729
Investment properties		<u>—</u>	<u>10,961</u>
Total non-current assets		<u>20,567</u>	<u>30,690</u>
CURRENT ASSETS			
Gross amount due from contract customers		44,055	27,780
Due from related companies		5,913	5,900
Accounts receivable	9	99,984	129,431
Prepayments, deposits and other receivables		131,273	29,346
Equity investments at fair value through profit or loss		19,621	65,301
Tax recoverable		1,209	1,079
Pledged deposits		26,236	32,780
Cash and cash equivalents		<u>54,314</u>	<u>49,042</u>
Total current assets		<u>382,605</u>	<u>340,659</u>
CURRENT LIABILITIES			
Gross amount due to contract customers		113,898	124,840
Accounts payable	10	39,062	27,786
Other payables and accruals		69,719	72,295
Due to a non-controlling shareholder		1,500	1,500
Due to a related company		15	14
Tax payable		2,337	1,134
Derivative component of convertible bonds	11	2,470	8,321
Interest-bearing bank borrowings		<u>9,407</u>	<u>4,455</u>
Total current liabilities		<u>238,408</u>	<u>240,345</u>
NET CURRENT ASSETS		<u>144,197</u>	<u>100,314</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>164,764</u>	<u>131,004</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 March 2018*

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Liability component of convertible bonds	11	28,295	25,600
Deferred tax liabilities		<u>1,128</u>	<u>2,873</u>
Total non-current liabilities		<u>29,423</u>	<u>28,473</u>
Net assets		<u>135,341</u>	<u>102,531</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	25,000	25,000
Reserves		<u>113,115</u>	<u>70,503</u>
		138,115	95,503
Non-controlling interests		<u>(2,774)</u>	<u>7,028</u>
Total equity		<u>135,341</u>	<u>102,531</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2018

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.

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, equity investments and derivative component of convertible bonds 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 2018. 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
- (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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosure that ensure users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

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, fair value change on the derivative component of convertible bonds, finance costs, provision for cash loss as well as head office and corporate expenses are excluded from such measurement.

3. OPERATING SEGMENT INFORMATION (continued)

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.

Year ended 31 March 2018

	Construction business HK\$'000	Securities investment HK\$'000	Total HK\$'000
Segment revenue:			
Income from external customers	748,651	43,359	792,010
Other income and gains	869	—	869
	<u>749,520</u>	<u>43,359</u>	<u>792,879</u>
Segment results			
Operating profit	10,307	42,058	52,365
<i>Reconciliation:</i>			
Interest income			427
Fair value gain on the derivative component of convertible bonds			5,851
Provision for cash loss			(22,361)
Unallocated expenses			(3,182)
Finance costs			(3,453)
Profit before tax			<u>29,647</u>
Segment assets			
	301,792	19,621	321,413
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>81,759</u>
Total assets			<u>403,172</u>
Segment liabilities			
	222,894	1,300	224,194
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>43,637</u>
Total liabilities			<u>267,831</u>
Other segment information:			
Fair value loss on investment properties	1,770	—	1,770
Loss on disposal of items of property plant and equipment	52	—	52
Reversal of impairment of accounts receivable	(2,242)	—	(2,242)
Depreciation	808	—	808
Capital expenditure*	129	—	129

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2017

	Construction business <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Income from external customers	872,762	45,042	917,804
Other income and gains	953	—	953
	<u>873,715</u>	<u>45,042</u>	<u>918,757</u>
Segment results			
Operating profit	29,250	43,691	72,941
<i>Reconciliation:</i>			
Interest income			228
Fair value loss on the derivative component of convertible bonds			(876)
Unallocated expenses			(530)
Finance costs			<u>(2,955)</u>
Profit before tax			<u><u>68,808</u></u>
Segment assets			
	226,714	65,301	292,015
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>79,334</u>
Total assets			<u><u>371,349</u></u>
Segment liabilities			
	230,602	—	230,602
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>38,216</u>
Total liabilities			<u><u>268,818</u></u>
Other segment information:			
Fair value gain on investment properties	(748)	—	(748)
Depreciation	808	—	808
Capital expenditure*	<u>150</u>	<u>—</u>	<u>150</u>

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	547,610	699,771
Mainland China	240,197	193,320
Macau	4,203	24,713
	<u>792,010</u>	<u>917,804</u>

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

(b) Non-current assets

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	20,540	19,675
Mainland China	27	11,015
	<u>20,567</u>	<u>30,690</u>

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

Information about a major customer

During the year, revenue of approximately HK\$112,074,000 (2017: HK\$90,250,000) 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.

4. 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Income from the construction contracting and related businesses	748,651	872,762
Fair value gain on equity investments at fair value through profit or loss, net	43,199	44,868
Dividend income from equity investments at fair value through profit or loss	160	174
	<u>792,010</u>	<u>917,804</u>
Other income and gains		
Bank interest income	427	228
Gross rental income	636	—
Others	233	953
	<u>1,296</u>	<u>1,181</u>

5. PROFIT BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of construction contracting	706,711	815,150
Depreciation	808	808
Minimum lease payments under operating leases on land and buildings	2,595	2,530
Provision for cash loss	22,361	—
Loss on disposal of items of property, plant and equipment	52	—
Reversal of impairment of accounts receivable	(2,242)	—
Fair value loss/(gain) on the derivative component of convertible bonds (<i>note 11</i>)	(5,851)	876
	<u>(5,851)</u>	<u>876</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank loans and overdrafts	288	485
Interest on convertible bonds (<i>note 11</i>)	3,313	2,870
Less: Interest capitalised	<u>(148)</u>	<u>(400)</u>
	<u><u>3,453</u></u>	<u><u>2,955</u></u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	262	1,412
Current — Elsewhere		
Charge for the year	1,388	865
Deferred	(2,091)	(243)
Land appreciation tax (“LAT”) in Mainland China	<u>1,346</u>	<u>—</u>
Total tax charge for the year	<u><u>905</u></u>	<u><u>2,034</u></u>

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 year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (2017: 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/(gain) 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:

	2018	2017
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	38,831	65,535
Interest on convertible bonds (<i>note 11</i>)	3,313	2,870
Fair value loss/(gain) on the derivative component of convertible bonds (<i>note 11</i>)	(5,851)	876
	<u> </u>	<u> </u>
Profit attributable to ordinary equity holders of the Company before the effect of convertible bonds	36,293	69,281
	<u> </u>	<u> </u>
	2018	2017
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*	—	—
Convertible bonds	103,000,000	98,202,740
	<u> </u>	<u> </u>
	1,103,000,000	1,098,202,740
	<u> </u>	<u> </u>

* 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 years ended 31 March 2018 and 31 March 2017.

9. ACCOUNTS RECEIVABLE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Accounts receivable	50,902	82,219
Impairment	<u>(6,034)</u>	<u>(8,276)</u>
	44,868	73,943
Retention monies receivable	<u>55,116</u>	<u>55,488</u>
	<u>99,984</u>	<u>129,431</u>

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.

An aging 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current to 90 days	18,795	56,319
91 to 180 days	7,357	12,503
181 to 360 days	6,069	3,223
Over 360 days	<u>12,647</u>	<u>1,898</u>
	44,868	73,943
Retention monies receivable	<u>55,116</u>	<u>55,488</u>
Total	<u>99,984</u>	<u>129,431</u>

10. ACCOUNTS PAYABLE

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	9,381	9,750
91 to 180 days	10,561	5,224
181 to 360 days	7,761	10,119
Over 360 days	11,359	2,693
	<u>39,062</u>	<u>27,786</u>

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

11. CONVERTIBLE BONDS

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.

The proceeds from the issuance of the convertible bonds of HK\$30,900,000 have been split 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.

11. CONVERTIBLE BONDS (continued)

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

	Liability component <i>HK\$000</i>	Derivative component <i>HK\$000</i>	Total <i>HK\$000</i>
At 18 April 2016	23,455	7,445	30,900
Transaction costs	(725)	—	(725)
Interest expense (<i>note 6</i>)	2,870	—	2,870
Fair value adjustment (<i>note 5</i>)	—	876	876
	<hr/>	<hr/>	<hr/>
At 31 March 2017 and 1 April 2017	25,600	8,321	33,921
Interest paid	(618)	—	(618)
Interest expense (<i>note 6</i>)	3,313	—	3,313
Fair value adjustment (<i>note 5</i>)	—	(5,851)	(5,851)
	<hr/>	<hr/>	<hr/>
At 31 March 2018	28,295	2,470	30,765

12. SHARE CAPITAL

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Authorised:		
4,000,000,000 ordinary shares of HK\$0.025 each	100,000	100,000
	<hr/>	<hr/>
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.025 each	25,000	25,000
	<hr/>	<hr/>

13. EVENTS AFTER THE REPORTING PERIOD

- (a) On 19 March 2018, the Group entered into a sale and purchase agreement to acquire the entire equity interest in Achieve Plus Investments Limited, which is engaged in property holding investment, at a total consideration of HK\$8,500,000. The Group has acquired Achieve Plus Investments Limited for potential capital appreciation opportunity and recurring cash inflow to the Group. An initial deposit of HK\$850,000 was placed by the Company to the vendor, as of 31 March 2018. The transaction was completed on 30 April 2018.
- (b) On 23 May 2018, the Group entered into a sale and purchase agreement to acquire the entire equity interest in Rosy Beauty Investments Limited, which is engaged in property holding investment, at a total consideration of HK\$10,300,000. The Group has acquired Rosy Beauty Investments Limited for potential capital appreciation opportunity and recurring cash inflow to the Group. An initial deposit of HK\$1,030,000 was placed by the Group to the vendor on 23 May 2018 and there is no financial impact to the Group for the year ended 31 March 2018. The transaction has not been completed up to the date of these financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal businesses are (i) acting as a contractor in the building industry operating in Hong Kong, the People's Republic of China (the "PRC") and Macau where 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 investment in marketable securities.

The Group's turnover for the year ended 31 March 2018 recorded at approximately HK\$792,010,000 which represented a decrease of approximately 14% from approximately HK\$917,804,000 for the year ended 31 March 2017. For construction segment, turnover for the year ended 31 March 2018 recorded at approximately HK\$748,651,000 which represented a decrease of 14% from approximately HK\$872,762,000 for the year ended 31 March 2017. For investment in marketable securities segment, turnover for the year ended 31 March 2018 recorded at approximately HK\$43,359,000 which represented a decrease of 4% from approximately HK\$45,042,000 for the year ended 31 March 2017.

(i) Construction Segment

(a) *Building construction works:*

For the year ended 31 March 2018, revenue recorded at this section amounted to approximately HK\$149,206,000 (2017: HK\$232,073,000). The significant decrease by approximately 36% was due to the completion of several contracts during the year ended 31 March 2017 and therefore no revenue was recognised during the year ended 31 March 2018. 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 (i) the variation order works recognised for the main contractor works for four residential houses at Stubbs Road, Hong Kong which the corresponding main contract was completed during the year ended 31 March 2015 and no revenue was recognised in the last reporting period; and (ii) the additional turnover recognised for the site formation and foundation works for a residential house redevelopment at Peak Road, Hong Kong which was commenced in July 2016, thus larger portion of revenue was recognised in this reporting period.

(b) *Electrical and mechanical engineering works:*

For the year ended 31 March 2018, revenue recorded from this section amounted to approximately HK\$242,786,000 (2017: HK\$261,880,000). The decrease by approximately 7% was mainly due to the substantial completion of some projects before April 2017 and therefore 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; (ii) fire services and MVAC installation of Multimedia Production and Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong; (iii) term contract for building services installation works at Sogo Department Store, Causeway Bay, Hong Kong; and (iv) triennial term contract for the maintenance and repair of alterations and additions and fire services installations for the Government of Hong Kong.

The above decrease was offset by the commencement of the following projects after March 2017: (i) building services installation works of two special schools at Sung On Street, To Kwa Wan, Kowloon, Hong Kong; (ii) building services installation works of 36-classroom primary school in Area 36 at Fanling, New Territories, Hong Kong; (iii) supply and installation of fire services for redevelopment of a church at Queen's Road East, Hong Kong, and (iv) electrical installation at Lot 1003 in Demarcation District No. 40, Sha Tau Kok, New Territories, Hong Kong.

(c) *Fitting-out works:*

For the year ended 31 March 2018, revenue recorded from this section amounted to approximately HK\$356,659,000 (2017: HK\$378,809,000). The decrease by approximately 6% was due to the substantial completion of some projects before April 2017 and therefore less revenue was recognised in this reporting period. These projects include: (i) fitting-out works for residential flats and clubhouse at Stubbs Road, Hong Kong; (ii) addition and alteration works and fitting-out works at Harbour City, Tsim Sha Tsui, Kowloon; and (iii) fitting-out works including E&M works of luxury shops at Macau.

The above decrease was partly offset by the additional turnover recognised for (i) two fitting-out works contracts of residential houses at Henderson Road, Hong Kong; (ii) addition and alteration works including E&M installation works at Chatham Road North, Tsim Sha Tsui, Kowloon; and (iii) fitting-out works of a school at Shunyi District, Beijing. Those projects were commenced in this reporting period, thus no revenue was recognised in the last reporting period.

(ii) Investment in Securities Segment

For the year ended 31 March 2018, revenue recorded from this segment amounted to approximately HK\$43,359,000 (2017: HK\$45,042,000).

As at 31 March 2018, the Group managed a portfolio of listed equity investments with fair value of approximately HK\$20 million (2017: HK\$65 million) which are classified as equity investments at fair value through profit or loss. During the year ended 31 March 2018, the Group recorded (i) an unrealised gain on fair value change of listed equity investments of approximately HK\$9.7 million (2017: unrealised loss of approximately HK\$2.2 million); (ii) a realised gain of approximately HK\$33.5 million (2017: approximately HK\$47.0 million); and (iii) dividend income received from equity investments of approximately HK\$0.2 million (2017: approximately HK\$0.2 million). Details of the marketable securities are disclosed under the section “**SIGNIFICANT INVESTMENTS**”.

The net profit attributable to owners of the Company decreased significant to approximately HK\$38,831,000 as compared with the net profit attributable to owners of the Company which amounted to approximately HK\$65,535,000 for the year ended 31 March 2017. The decrease was due to (i) the drop in profit arising from the fitting-out works project at the PRC; and (ii) the provision for cash loss arising from certain suspicious internet frauds which involved fraudulent transfers of funds of approximately HK\$22 million from the bank account of Beijing Chang-de Architectural Decoration Co., Limited, a 60% owned subsidiary (the “**Beijing Chang-de**”). Please refer to section headed “**STATUS OF THE LEGAL CASE**” for details of this case.

Basic earnings per share is HK3.88 cents for the year ended 31 March 2018.

STATUS OF THE LEGAL CASE

As announced in the announcement of the Company dated 21 December 2017, the Group has reported to the Beijing Public Security Bureau a suspected case of internet fraud which involved fraudulent transfers of funds of approximately HK\$22 million (approximately RMB19 million) from the bank account of Beijing Chang-de. The matter is currently under the investigation of the Beijing Public Security Bureau. The Group has instructed its legal advisers in Mainland China to issue a letter to seek damages from the PRC bank involved for failure to notify Beijing Chang-de of the irregular internet banking transactions or preventing further payments to be made online, as required under the relevant banking rules and regulations under the PRC laws. As at the date of this results announcement, we are unable to ascertain the recoverability of the funds transferred.

Since the internet fraud incident, an internal memorandum was circulated to all employees of the Group to enhance their awareness against any frauds. In addition, we have instructed our internal control adviser to review our internal control systems and recommended the following measures be implemented regarding payment procedures, information technology security control and internet banking management:

- (a) Regular training sessions will be provided to all staff to deal with fraud, internal control procedures and use of IT systems;
- (b) Surprise checks to ensure that the security devices are kept by two separate employees and have physical locks to secure their location; and
- (c) The Group has communicated with the banks to set a limit on internet banking payments, and any future increases will require authorisation from the management of related subsidiaries.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2018, the Group's turnover amounted to approximately HK\$792 million (2017: approximately HK\$918 million), decreased by approximately 14% as compared to last year. The decrease in turnover was mainly due to (i) the decrease in turnover arising from the projects of the construction business; and (ii) the drop in realised gain arising from the disposal of marketable securities.

Gross profit margin

The Group's gross profit decreased significantly by approximately HK\$17.4 million or approximately 17%, from approximately HK\$102.7 million for the year ended 31 March 2017 to approximately HK\$85.3 million for the year ended 31 March 2018. During the year ended 31 March 2018, the gross profit margin was approximately 10.8%, down by 0.4 percentage point as compared to last year's 11.2%. This is mainly because of the decrease of overall gross profit margin of construction projects due to the rise of direct material and labour costs, especially for the fitting-out works in the PRC.

After excluding the profit generating from the securities investment segment, the gross profit margin for the year ended 31 March 2018 was approximately 5.6%, down by 1 percentage point as compared to last year's 6.6%.

Other income

Other income increased slightly by approximately HK\$0.1 million or 10% from approximately HK\$1.2 million for the year ended 31 March 2017 to approximately HK\$1.3 million for the year ended 31 March 2018. The increase was due to (i) the increase in interest income as the Group has arranged fixed deposit more frequently with principal bankers during this reporting period; and (ii) the increase in rental income for the Beijing's investment properties which were vacant in last reporting period.

Administrative expenses

Administrative expenses increased by approximately HK\$5.4 million or 17% from approximately HK\$32.0 million for the year ended 31 March 2017 to approximately HK\$37.4 million for the year ended 31 March 2018. The increase was mainly because of (i) the rise of expenses incurred in the PRC as a result of the strengthened average exchange rate of Renminbi from RMB1=HK\$1.15 in the last reporting period to RMB1=HK\$1.18 in this reporting period; and (ii) the increase of property tax and land use tax incurred for the disposal of the investment properties at Beijing, the PRC.

Other operating expenses, net

Other operating expenses, net increased significantly by approximately HK\$13.6 million from approximately HK\$0.8 million for the year ended 31 March 2017 to approximately HK\$14.4 million for the year ended 31 March 2018. The current year's amount mainly represented the net effect of (i) the provision for cash loss arising from certain suspicious internet frauds which involved fraudulent transfers of funds of approximately HK\$22 million from the bank account of Beijing Chang-De; and (ii) the fair value gain on derivative component of the convertible bonds arising from the drop of share price of the Company amounting to approximately HK\$6 million. A fair value loss of approximately HK\$0.8 million on the derivative component of the convertible bonds was recorded in last reporting period.

Finance costs

Finance costs increased by approximately HK\$0.5 million or 17% from approximately HK\$3.0 million for the year ended 31 March 2017 to approximately HK\$3.5 million for the year ended 31 March 2018. The increase was mainly because more finance costs were incurred for the convertible bonds issued on 18 April 2016.

Liquidity and financial resources

The Group continued to maintain a suitable liquid position. As at 31 March 2018, the Group had cash and cash equivalents of HK\$54,314,000 (2017: HK\$49,042,000) mainly in Hong Kong dollars and Renminbi. As at 31 March 2018, the Group had total assets of HK\$403,172,000 (2017: HK\$371,349,000). The Group's current ratio at 31 March 2018 was 1.60 compared to 1.42 at 31 March 2017.

As at 31 March 2018, the gearing ratio for the Group is 18% (2017: 22%). It was calculated based on the non-current liabilities of HK\$29,423,000 (2017: HK\$28,473,000) and long term capital (equity and non-current liabilities) of HK\$164,764,000 (2017: HK\$131,004,000).

Capital expenditure

Total capital expenditure for the year ended 31 March 2018 was approximately HK\$129,000, which represented purchases of items of property, plant and equipment.

Contingent liabilities

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

Commitments

At the end of the reporting period, the Group had capital commitments contracted but not provided for amounted to HK\$7,650,000, representing the sale and purchase agreement entered into as disclosed in section headed “**Events After the Reporting Period**”.

Charges on group assets

Assets with a carrying value of approximately HK\$45,636,000 were pledged as security for the Group’s banking facilities.

Treasury policies

The Directors will continue to follow a prudent policy in managing the Group’s 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

There is no change in the capital structure of the Group during the year ended 31 March 2018.

As at 31 March 2018, the Company had outstanding convertible bonds with the aggregate principal amount of HK\$30,900,000.

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 this results announcement.

PROSPECTS

(i) Construction Business

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 years, new projects such as main contractor works for one residential redevelopment works including E&M works at Peak Road, Hong Kong, interior fitting-out works at Nicholson Road, the Peak, Hong Kong, alterations and additions works including E&M works for a factory building at Chatham Road North, Hung Hom, Hong Kong, fitting-outs works of a residential house at Henderson Road, Hong Kong, renovation works at Causeway Bay Centre, Hong Kong, interior fitting out works at Pik Sha Road, Hong Kong, 30-month term contract and several short term contracts for the maintenance and repair of, alterations and additions and fire services installations for health services buildings at different locations at Hong Kong, replacement of fire services system at Lion Rock Tunnel, 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, term contract for building services works at Sogo Department Store, Causeway Bay and Tsim Sha Tsui, Hong Kong interior renovation works for Sogo Department Store, Causeway Bay, Hong Kong, fitting-out works of China Meteorological Administration at Changping, Beijing, the PRC, fitting-out works of an office at Shanxi, Taiyuan, the PRC, fitting-out works of a school at Shunyi District, Beijing and fitting-out works of a locker room of a sport hall at Hebei, the PRC. As at the date of this results announcement, the Group has contracts on hand with a total contract sum of over HK\$1,485 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. The overall building and construction expenditure maintained its uptrend which was contributed by the growth in private building and construction activity and public building and construction expenditure stayed at a high level.

In view of the growth prospects for both public and private development projects, the Group intends to expand the business capacity and scale to strengthen its market position in Hong Kong to capture more sizeable and profitable projects. The Group intends to further diversify the customer base by bidding works from more private residential developers.

While the construction sectors keep its upward trend, the Group's divisions in building construction and E&M faced keen competition as reflected in very close tender prices amongst tenderers. The management of all the Group's divisions are cautious in securing business and maintaining satisfactory margin. With the satisfactory level of contracts on hand, the Board is cautiously optimistic on the Group's business development in the future.

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

(ii) Investment in Securities Business

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

Despite the uncertainties in the global financial markets, the Group will continue to respond to the changing market environment and review its investment strategy regularly. The Group will also seek investment opportunities in listed securities and other financial products in Hong Kong and other recognised financial markets overseas with a view to generate additional income and enhance the capital use of the Group.

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

(iii) Property Investment Business (commenced after the reporting period)

In March 2018, the Group has entered into a sale and purchase agreement with a third party to acquire entire share capital of a company which is principally engaged in property holding investment for a consideration of HK\$8,500,000. The property is located at Jordan, Kowloon, Hong Kong with saleable area of 652 square feet. The transaction was completed on 30 April 2018. In May 2018, the Group has entered into another sale and purchase agreement to acquire a property holding company for a consideration of HK\$10,300,000. The property is located at Wanchai, Hong Kong with saleable area of 681 square feet. The transaction is expected to be completed in June 2018.

Both properties are located in a prime area of Hong Kong, which is near the MTR station. Tenancy agreements will be entered into or renewed upon expiry of the current leases in respect of both properties after completion in order to earn additional income for the Group. The Board considers that the acquisition is a sound investment which could provide potential capital appreciation opportunity and recurring cashflow to the Group. The Group’s existing portfolio consists of commercial properties in Hong Kong. The acquisition, which involves a commercial property in Hong Kong, will strengthen the Group’s portfolio its presence at the market.

The Directors, including the independent non-executive Directors, are of the view that the terms of the sale and purchase agreements are fair and reasonable and the acquisitions are in the interests of the Company and the shareholders as a whole.

SIGNIFICANT INVESTMENTS

As at 31 March 2018, the Group held approximately HK\$20 million equity investments at fair value through profit or loss. Details of the significant investments are as follows:

		Stock code	Place of incorporation	Unrealised fair value gain/(loss) <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets of the Group %
	<i>Notes</i>						
SOHO China Limited	1	410	Cayman Islands	(28.9)	123.3	0.6	0.09
Singamas Container Holdings Limited	2	716	Hong Kong	(62.0)	131.0	0.7	0.10
Shun Wo Group Holdings Limited	3	1591	Cayman Islands British Virgin Islands	1,641.0	3,942.0	20.1	2.91
Pantronics Holdings Limited	4	1611	Islands	26.7	1,798.6	9.2	1.33
EJE (Hong Kong) Holdings Limited	5	8101	Cayman Islands	8,316.0	12,780.0	65.1	9.44
Koala Financial Group Limited	6	8226	Cayman Islands	(156.0)	846.0	4.3	0.63
				<u>9,736.8</u>	<u>19,620.9</u>	<u>100</u>	<u>14.50</u>

Notes:

- SOHO China Limited is principally engaged in real estate development and property leasing. A dividend in the sum of HK\$32,000 was received during the year. According to its latest published financial statements, it had a net asset value of approximately RMB33,727,297,000 as at 31 December 2017.
- Singamas Container Holdings Limited is principally engaged in (i) manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, US domestic containers, offshore containers, other specialized containers and container parts and (ii) provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling and other container related services. A dividend in the sum of HK\$1,000 was received during the year. According to its latest published financial statements, it had a net asset value of approximately USD931,982,000 as at 31 December 2017.

3. Shun Wo Group Holdings Limited is engaged in undertaking foundation works in Hong Kong. No dividend was received during the year. According to its latest published financial statements, it had a net asset value of approximately HK\$157,575,000 as at 30 September 2017.
4. Pantronics Holdings Limited is principally engaged in the electronic manufacturing services. A dividend in the sum of HK\$85,000 was received during the year. According to its latest published financial statements, it had a net asset value of approximately HK\$108,596,000 as at 30 September 2017.
5. EJE (Hong Kong) Holdings Limited is principally engaged in (i) the design, manufacture and sale of mattress and soft bed products; (ii) securities investment; (iii) property investment in Hong Kong; (iv) money lending in Hong Kong; and (v) manufacture of custom-made furniture in the PRC. No dividend was received during the year. According to its latest published financial statements, it had a net asset value of approximately HK\$321,145,000 as at 30 September 2017.
6. Koala Financial Group Limited is principally engaged in (i) securities investment; (ii) trading of commodities; (iii) trading of garment accessories; (iv) manufacturing and sales of LED digital display products; (v) provision of securities placing and brokerage services; (vi) money lending; and (vii) leasing of investment properties. No dividend was received during the year. According to its latest published financial statements, it had a net asset value of approximately HK\$201,190,000 as at 31 December 2017.

During the year ended 31 March 2018, 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\$106 million, giving rise to a net gain of approximately HK\$33.5 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	10
Singamas Container Holdings Limited	716	Hong Kong	1,010	45
InvesTech Holdings Limited	1087	Cayman Islands	3,275	(367)
Zhuguang Holdings Group Company Limited	1176	Bermuda	3,694	824
Agricultural Bank of China Limited	1288	PRC	362	(5)
Industrial and Commercial Bank of China Limited	1398	PRC	530	3
Leap Holdings Group Limited	1499	Cayman Islands	5,603	(1,992)
Shun Wo Group Holdings Limited	1591	Cayman Islands	317	62
Pantronics Holdings Limited	1611	British Virgin Islands	7,190	1,073
Ping An Insurance (Group) Company of China, Ltd.	2318	PRC	1,020	44
China Overseas Property Holdings Limited	2669	Cayman Islands	592	36
ChinaAMC CSI 300 Index ETF	3188	N/A	433	5
Kiddieland International Limited	3830	Cayman Islands	631	(161)
EJE (Hong Kong) Holdings Limited	8101	Cayman Islands	5,966	(854)
China Information Technology Development Limited	8178	Cayman Islands	13,144	(2,154)
China Candy Holdings Limited	8182	Cayman Islands	44,016*	31,796
Sau San Tong Holdings Limited	8200	Cayman Islands	3,945	(477)
Echo International Holdings Group Limited	8218	Cayman Islands	1,297	(705)
First Credit Finance Group Limited	8215	Bermuda	2,793	593
Koala Financial Group Limited	8226	Cayman Islands	9,695	5,687
			<u>106,486</u>	<u>33,463</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. Please refer to the announcement of the Company dated 22 June 2017 for details.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in section head “**Events After the Reporting Period**”, the Group did not have other plans for material investment or capital assets as at 31 March 2018.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2018, there was no material acquisition and disposal of subsidiaries and affiliated companies by the Group.

HUMAN RESOURCES

As at 31 March 2018, the Group had 117 employees, 48 of whom were based in the PRC. The total employee benefit expenses including directors’ emoluments for the year ended 31 March 2018 amounted to HK\$33.6 million as compared to HK\$33.4 million for the year ended 31 March 2017, the increase was mainly due to the increment under the annual review in current 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 options to staff based on individual performance and the achievements of the Group’s targets.

EVENTS AFTER THE REPORTING PERIOD

In March 2018, the Group has entered into a sale and purchase agreement with an independent third party to acquire entire share capital of a company which is principally engaged in property holding investment for a consideration of HK\$8,500,000. The property is located at Jordan, Kowloon, Hong Kong with saleable area of 652 square feet. The transaction was completed on 30 April 2018. The property has been leased to an independent third party tenant with a monthly rent of HK\$20,000.

In May 2018, the Group has entered into another sale and purchase agreement with an independent third party to acquire entire share capital of a group which is principally engaged in property holding investment for a consideration of HK\$10,300,000. The property is located at Wanchai, Hong Kong with saleable area of 681 square feet. The transaction is expected to be completed in late June 2018 once all the conditions precedent are fulfilled. The property will be leased to an independent third party tenant with monthly rent of HK\$26,000 after the completion date. As one or more of the relevant percentage ratios calculated pursuant to Rule 19.06 of the GEM Listing Rules in respect of the acquisition exceeds 5% but are less than 25%, the acquisition constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement requirements under the GEM Listing Rules. Please refer to the announcement of the Company dated 23 May 2018 for further details.

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 2018.

CONTINUING CONNECTED TRANSACTIONS

Administrative services agreement

On 16 December 2014, Grand On Enterprise Limited (“**Grand On**”), a wholly-owned indirect subsidiary of Deson Development Holdings Limited, which is a substantial 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 ended 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 was 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.

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this preliminary results announcement have been agreed by the Company's auditor, Ernst & Young ("EY"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on the preliminary results announcement.

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 results announcement, the audit committee comprises three independent non-executive directors, namely Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Chan Ka Yin. The audit committee has reviewed the Group's annual results for the year ended 31 March 2018.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "AGM") will be held on Monday, 20 August 2018. A notice convening the AGM will be published and despatched to the Company's shareholders in the manner required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on 20 August 2018. 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 15 August 2018 to 20 August 2018, 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 14 August 2018.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2018 (2017: Nil).

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the GEM website at www.hkgem.com and the Company's website at www.deson-c.com. The annual report of the Company for the year ended 31 March 2018 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 21 June 2018

As at the date of this announcement, the Board 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the website of the Company at www.deson-c.com.