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DESON CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

迪臣建設國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8268)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2018

CHARACTERISTICS OF 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.*

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 2018 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2018

		(Unaudited)	
		Three months ended 30 June	
		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	177,040	228,859
Cost of sales		<u>(175,212)</u>	<u>(190,193)</u>
Gross profit		1,828	38,666
Other income and gains	4	228	338
Fair value gain on investment properties		108	—
Administrative expenses		(7,139)	(7,942)
Other operating expenses, net		—	(1)
Finance costs	6	<u>(917)</u>	<u>(815)</u>
PROFIT/(LOSS) BEFORE TAX	5	(5,892)	30,246
Income tax credit	7	<u>36</u>	<u>56</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(5,856)</u>	<u>30,302</u>
Attributable to:			
Owners of the Company		(5,879)	29,766
Non-controlling interests		<u>23</u>	<u>536</u>
		<u>(5,856)</u>	<u>30,302</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE COMPANY	8		
Basic		<u>HK(0.59) cent</u>	<u>HK2.98 cents</u>
Diluted		<u>HK(0.59) cent</u>	<u>HK2.77 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 30 June 2018

	(Unaudited)	
	Three months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE PERIOD	<u>(5,856)</u>	<u>30,302</u>
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>(915)</u>	<u>726</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(915)</u>	<u>726</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(6,771)</u>	<u>31,028</u>
Attributable to:		
Owners of the Company	<u>(6,874)</u>	<u>30,340</u>
Non-controlling interests	<u>103</u>	<u>688</u>
	<u>(6,771)</u>	<u>31,028</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2018

	Attributable to owners of the Company								Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Contribution surplus	Property revaluation reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Retained profits			
	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 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	<u>25,000</u>	<u>9,381</u>	<u>(5,372)</u>	<u>15,808</u>	<u>1,183</u>	<u>2,525</u>	<u>5,581</u>	<u>71,737</u>	<u>125,843</u>	<u>7,716</u>	<u>133,559</u>
At 1 April 2018 (audited)	25,000	9,381	(5,372)	13,906	1,183	4,390	5,581	84,046	138,115	(2,774)	135,341
Adjustment on adoption of HKFRS 15, net of tax	—	—	—	—	—	—	—	2,972	2,972	—	2,972
Restated balance at 1 April 2018	25,000	9,381	(5,372)	13,906	1,183	4,390	5,581	87,018	141,087	(2,774)	138,313
Profit/(loss) for the period	—	—	—	—	—	—	—	(5,879)	(5,879)	23	(5,856)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	(995)	—	—	(995)	80	(915)
Total comprehensive loss for the period	—	—	—	—	—	(995)	—	(5,879)	(6,874)	103	(6,771)
Release of revaluation reserve	—	—	—	(122)	—	—	—	122	—	—	—
At 30 June 2018	<u>25,000</u>	<u>9,381</u>	<u>(5,372)</u>	<u>13,784</u>	<u>1,183</u>	<u>3,395</u>	<u>5,581</u>	<u>81,261</u>	<u>134,213</u>	<u>(2,671)</u>	<u>131,542</u>

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, investment in securities and property investment.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2018 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 GEM 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 2018 are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 March 2018, except for the adoption of HKFRS 15 *Revenue from Contracts with Customers* (“**HKFRS 15**”) as further explained below. 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 2018.

The HKICPA has issued certain revised HKFRSs that are first effective or available for early adoption for the current period of the Group. Except HKFRS 15, 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 Group has adopted HKFRS 15 from 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, prior period comparative figures have not been restated.

2. BASIS OF PREPARATION (Continued)

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 *Revenue* (“HKAS 18”) and HKAS 11 *Construction contracts* (“HKAS 11”) that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

Accounting for construction activities

Under HKFRS 15, the Company recognises construction contract revenue over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Construction contracts are generally accounted for as a single unit of account (a single performance obligation) and are not segmented between types of services. The Company recognises revenue using the cost-to-cost method, based primarily on contract cost incurred to date compared to total estimated contract cost. The cost-to-cost method (an input method) is the most faithful depiction of the Company’s performance because it directly measures the value of the services transferred to the customer.

Changes to total estimated contract cost or losses, if any, are recognised in the period in which they are determined as assessed at the contract level.

Contract assets represent revenue recognised in excess of amounts billed and include unbilled receivables. Unbilled receivables, which represent an unconditional right to payment, are reclassified to accounts receivable when they are billed under the terms of the contract and subject only to the passage of time. Advances that are payments on account of contract assets have been deducted from contract assets. Contract liabilities represent amounts billed to clients in excess of revenue recognised to date.

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

Condensed consolidated statement of profit or loss (extracted)	Three months ended 30 June 2018		
	Result without the adoption of HKFRS 15	Effects of the adoption of HKFRS 15	Results as reported
	HKD’000	HKD’000	HKD’000
Revenue	176,383	657	177,040
Cost of sales	(175,205)	(7)	(175,212)
Attributable to:			
Owners of the Company	(6,529)	650	(5,879)

The condensed consolidated financial statements of the Group have not been audited nor reviewed 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 three (2017: 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;
- (b) the securities investment segment is engaged in investment in securities; and
- (c) the property investment business segment is engaged in the holding of investment properties.

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/loss before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

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

For the three months ended 30 June

	Construction business		Securities investment		Property investment		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Income from external customers	179,476	199,575	(2,476)	29,284	40	—	177,040	228,859
Other income and gains	182	246	—	—	—	—	182	246
	<u>179,658</u>	<u>199,821</u>	<u>(2,476)</u>	<u>29,284</u>	<u>40</u>	<u>—</u>	<u>177,222</u>	<u>229,105</u>
Segment result								
Operating profit/(loss)	(1,345)	3,710	(2,476)	28,406	87	—	(3,734)	32,116
<i>Reconciliation:</i>								
Interest income							46	92
Unallocated expenses							(1,287)	(1,147)
Finance costs							(917)	(815)
Profit/(loss) before tax							<u>(5,892)</u>	<u>30,246</u>
Other segment information								
Depreciation	263	205	—	—	—	—	263	205
Loss on disposal of items of property, plant and equipment	—	25	—	—	—	—	—	25

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

Revenue from external customers

	(Unaudited)	
	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	109,688	156,768
Mainland China	67,352	67,888
Macau	—	4,203
	<u>177,040</u>	<u>228,859</u>

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, gains on and dividend income from investment in securities and income from property investment.

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

	(Unaudited)	
	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Revenue		
Income from the construction contracting and related business	179,476	199,575
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	(2,476)	29,199
Dividend income from equity investments at fair value through profit or loss	—	85
Income from property investment business	40	—
	<u>177,040</u>	<u>228,859</u>
Other income and gains		
Bank interest income	46	92
Gross rental income	—	154
Others	182	92
	<u>228</u>	<u>338</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	(Unaudited)	
	Three months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of construction contracting	175,212	190,193
Depreciation	263	205
Minimum lease payments under operating leases on land and buildings	671	502
Rental income on investment properties	(40)	(154)
Less: outgoings	—	29
Net rental income	<u>(40)</u>	<u>(125)</u>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	7,268	7,327
Pension scheme contributions*	357	220
Less: Amount capitalised	<u>(3,439)</u>	<u>(2,953)</u>
	<u>4,186</u>	<u>4,594</u>
Loss on disposal of items of property, plant and equipment [^]	—	25
Foreign exchange differences, net [^]	—	(24)
	<u>—</u>	<u>(24)</u>

* At 30 June 2018, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2018: Nil).

[^] These amounts included in "Other operating 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	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	47	28
Interest on convertible bonds	902	815
Less: Interest capitalised	(32)	(28)
	917	815

7. INCOME TAX

Hong Kong profits tax had been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the three months ended 30 June 2018 and 2017, 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	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — Hong Kong		
Charge for the period	—	—
Current — Elsewhere		
Charge for the period	—	—
Deferred	(36)	(56)
Total tax credit for the period	(36)	(56)

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) 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 2017: 1,000,000,000) in issue during the Reporting Period.

The calculation of diluted earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the 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/(loss) 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/(loss) per share attributable to the owners of the Company is based on the following data:

	(Unaudited)	
	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Earnings/(Loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	(5,879)	29,766
Interest on convertible bonds (<i>note 6</i>)	902	815
	<hr/>	<hr/>
Profit/(loss) attributable to ordinary equity holders of the Company before the effect of convertible bonds	<u>(4,977)#</u>	<u>30,581</u>

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

	(Unaudited)	
	Three months ended 30 June	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,000,000,000	1,000,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options*	—	—
Convertible bonds	<u>103,000,000</u>	<u>103,000,000</u>
	<u><u>1,103,000,000[#]</u></u>	<u><u>1,103,000,000</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 three months ended 30 June 2018 and 30 June 2017.

Because the diluted loss per share amounts decrease when taking convertible bonds into account for the three months ended 30 June 2018, the convertible bonds had an anti-dilutive effect on the basic loss per share for this period. Accordingly, they were ignored in the calculation of diluted loss per share in this period.

Therefore, the diluted loss per share amounts for the three months ended 30 June 2018 is based on the loss of HK\$5,879,000 and the weighted average number of ordinary shares in issue of 1,000,000,000.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2018 (three months ended 30 June 2017: Nil).

10. SHARE CAPITAL

	Number of shares in issue	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018 and 30 June 2018	<u>1,000,000,000</u>	<u>25,000</u>	<u>9,381</u>	<u>34,381</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal business in last reporting period 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. During this Reporting Period, the Group has acquired two offices at Jordan, Kowloon and Wanchai, Hong Kong respectively and rental income was earned. Since then, the Group's principal business becomes (i) acting as a contractor in the building industry operating in Hong Kong, the PRC and Macau, (ii) investment in securities and (iii) property investment in Hong Kong.

The Group's turnover for the three months ended 30 June 2018 recorded at approximately HK\$177,040,000 which represented a decrease of 23% from approximately HK\$228,859,000 for the three months ended 30 June 2017. For construction segment, turnover for the three months ended 30 June 2018 recorded at approximately HK\$179,476,000 which represented a decrease of 10% from approximately HK\$199,575,000 for the three months ended 30 June 2017. For investment in marketable securities segment, turnover for the three months ended 30 June 2018 recorded at loss of approximately HK\$2,476,000 which represented a decrease of 108% from profit of approximately HK\$29,284,000 for the three months ended 30 June 2017. For property investment segment, turnover for the three months ended 30 June 2018 recorded at approximately HK\$40,000.

(i) Construction Segment

(a) *Building construction works:*

For the three months ended 30 June 2018, revenue recorded from this section amounted to approximately HK\$28,917,000 (three months ended 30 June 2017: HK\$22,094,000). The significant increase by 31% was because the additional turnover recognised for main contractor works for one residential redevelopment works including E&M works at Peak Road, Hong Kong which was commenced in January 2018, thus no revenue was recognised in last reporting period.

The above increase was partly offset due to the decrease of turnover for the site formation and foundation works for a residential house redevelopment at Peak Road, Hong Kong which was almost complete for the year ended 31 March 2018, thus just few portion of revenue was recognised in Reporting Period.

(b) *Electrical and mechanical engineering works:*

For the three months ended 30 June 2018, revenue recorded from this section amounted to approximately HK\$53,610,000 (three months ended 30 June 2017: HK\$78,397,000). The significant decrease by approximately 32% was due to the substantial completion of some projects before 31 March 2018 and therefore less revenue was recognised in this Reporting Period. These projects include: (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) term contract for building services installation works at Sogo Department Store, Causeway Bay, Hong Kong; and (iv) triennial term contract for the maintenance & repair of alterations and additions fire services installations for the Health Services Buildings in Hong Kong Region and Outlying Islands.

The above decrease was partly offset by (i) the additional work done during this Reporting Period for the school redevelopment project at Ying Wa Girls' School; and (ii) new contracts commenced after last reporting period which included the interior renovation works at Sogo Department Store, Causeway Bay, Hong Kong and term contract for building services works at Sogo Dependent Store, Causeway Bay, Hong Kong.

(c) *Fitting-out works:*

For the three months ended 30 June 2018, revenue recorded from this section amounted to approximately HK\$96,949,000 (three months ended 30 June 2017: HK\$99,084,000). The decrease by 2% was due to (i) the completion of a fitting-out work contract of residential house at Henderson Road, Hong Kong in May 2017; and (ii) the amount received in last reporting period for a project at Beijing, the PRC, that has dispute with the client. No further amount was received in current Reporting Period and therefore no revenue was recognised in this Reporting Period.

The above decrease was partly offset by the commencement of two fitting-out works contracts of (i) another residential house at Henderson Road, Hong Kong in April 2017 which revenue was commenced to be recognised after last reporting period; and (ii) a locker room of a sports hall in Hebei, the PRC, in January 2018.

Due to the keen competition of fitting-out services, comparatively less contract revenue was received during the Reporting Period. The Group will continue to stay positive to acquiring new contracts.

(ii) Investment in Marketable Securities Segment

For the three months ended 30 June 2018, loss recorded from this segment amounted to approximately HK\$2,476,000 (three months ended 30 June 2017: revenue of HK\$29,284,000). It was mainly attributable to unrealised loss for the marketable securities on hand as at 30 June 2018 due to the volatility of the stock market in Hong Kong.

As at 30 June 2018, the Group managed a portfolio of listed equity investments with fair value of approximately HK\$17 million (31 March 2018: HK\$20 million) which are classified as equity investments at fair value through profit or loss. During the Reporting Period, the Group recorded (i) a loss on fair value change of listed equity investments of approximately HK2,455,000 (three months ended 30 June 2017: HK\$2,031,000); (ii) a realised loss of approximately HK\$21,000 (three months ended 30 June 2017: a realised gain of approximately HK\$31,230,000); and (iii) no dividend income received from equity investments (three months ended 30 June 2017: approximately HK\$85,000). Details of the marketable securities are disclosed under the section “SIGNIFICANT INVESTMENTS”.

(iii) Property Investment Segment

For the three months ended 30 June 2018, revenue recorded from this segment amounted to approximately HK\$40,000 (three months ended 30 June 2017: nil). It was mainly attributable from rental income earned from the investment properties.

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 was completed on 29 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 rental income earned from commercial properties in Hong Kong, will strengthen the Group’s portfolio and its presence at the market.

Due to the (i) loss incurred in E&M works because of market cost escalations both in labour and material throughout contracts period and extra costs for extended contract period in some projects as well for the three months ended 30 June 2018; (ii) drop of the market value of the marketable securities on hand as at 30 June 2018, an unrealised loss was noted from the trading of marketable securities for the three months ended 30 June 2018 and (iii) significant drop of the realised gain on the disposal of the marketable securities, the net loss attributable to owners of the Company for this Reporting Period is approximately HK\$5,879,000 as compared with the net profit attributable to owners of the Company which amounted to approximately HK\$29,766,000 for the three months ended 30 June 2017.

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 Architectural Decoration Co., Limited, a 60% owned subsidiary (the “**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 announcement, we are unable to ascertain the recoverability of the funds transferred.

In relation to the above matter, Beijing Chang-De will immediately: (i) establish an investigation committee to investigate and report on the matter; (ii) commence civil proceedings against the personnel involved for professional negligence and misconduct for damages caused while at the same time seek a property preservation order during the proceedings; (iii) terminate the employment contract of the personnel involved in accordance with the statutory requirements; and (iv) report to the relevant accounting association on the professional negligence and misconduct of the relevant personnel involved.

FINANCIAL REVIEW

Turnover

For the three months ended 30 June 2018, the Group's turnover amounted to approximately HK\$177 million, decreased by approximately 23% as compared to the last corresponding period. The decrease in turnover was mainly due to (i) the decrease in turnover arising from the projects of the construction business; and (ii) the significant drop in the realised gain recognised for disposal of the marketable securities.

Gross profit margin

Our gross profit decreased from approximately HK\$38.7 million for the three months ended 30 June 2017 to approximately HK\$1.8 million for the three months ended 30 June 2018. It represents a decrease by approximately HK\$36.9 million or 95%. The decrease in gross profit was mainly arising from the unrealised loss on fair value change of listed equity investments on hand as at 30 June 2018.

During the three months ended 30 June 2018, the gross profit margin was approximately 1%, down by 16 percentage points as compared to last period's gross profit margin approximately 17%. This is mainly because of (i) the unrealised loss incurred for the fair value change of the listed securities; and (ii) loss incurred for the E&M works.

After excluding the portion generating from the investment in marketable securities and property investment segment, the gross profit margin for this Reporting Period was approximately 2.4%, down by 2.3 percentage points as compared to last period's 4.7%. The significant decrease was due to loss incurred for the E&M section.

Other income

Other income decreased by approximately HK\$0.1 million or 33% from approximately HK\$0.3 million for the three months ended 30 June 2017 to approximately HK\$0.2 million for the three months ended 30 June 2018. The decrease is mainly because of the decrease in rental income due to the disposal of investment properties at Beijing after last reporting period.

Administrative expenses

Administrative expenses decreased by approximately HK\$0.8 million or 10% from approximately HK\$7.9 million for the three months ended 30 June 2017 to approximately HK\$7.1 million for the three months ended 30 June 2018. The decrease was mainly because of the drop of discretionary bonus paid to directors during this Reporting Period.

Finance costs

Finance costs increased by approximately HK\$0.1 million or 13% from approximately HK\$0.8 million for the three months ended 30 June 2017 to approximately HK\$0.9 million for the three months ended 30 June 2018. The increase was mainly due to the increase of liability component of the convertible bonds.

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\$19,263,000 (31 March 2018: HK\$19,400,000); and
- (ii) the pledge of the Group's time deposits of HK\$19,253,000 (31 March 2018: HK\$26,236,000).

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

There is no change in capital structure of the Group during the period ended 30 June 2018.

As at 30 June 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 approval of these financial statements.

PROSPECT

(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 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” and the Registered General Building Contractor and the Registered Specialist Contractor (Site Formation Works and Foundation Works Categories) under the Buildings Department. 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 site formation and foundation works at Peak Road, Hong Kong, interior renovation works for Sogo office at East Point Centre, Causeway Bay, Hong Kong, fitting-out works at No.48 Stubbs Road, Hong Kong, fitting-out works at Pik Sha Road, Sai Kung, fitting-out works of a residential at Guanghai New Town Residential District, Beijing, the PRC and fitting-out works of offices at Beijing Capital International Airport. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$1,504 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 after obtaining adequate job reference for construction works, 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 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.

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

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 was completed on 29 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 and 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 30 June 2018, the Group held approximately HK\$17 million equity investments at fair value through profit or loss. Details of the significant investments are as follows:

				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 %
	Notes	Stock code	Place of incorporation				
SOHO China Limited	1	410	Cayman Islands	(12)	112	0.7	0.09
Singamas Container Holdings Limited	2	716	Hong Kong	(21)	110	0.7	0.08
Shun Wo Group Holdings Limited	3	1591	Cayman Islands	(108)	3,834	22.4	2.91
Pantronics Holdings Limited	4	1611	British Virgin Islands ("BVI")	2,102	3,866	22.6	2.94
EJE (Hong Kong) Holdings Limited	5	8101	Cayman Islands	(3,960)	8,820	51.4	6.71
Koala Financial Group Limited	6	8226	Cayman Islands	(456)	390	2.2	0.30
				<u>(2,455)</u>	<u>17,132</u>		

Notes:

- SOHO China Limited is principally engaged in real estate development and property leasing. No dividend was received during the period. 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. No dividend was received during the period. According to its latest published financial statements, it had a net asset value of approximately USD931,982,000 as at 31 December 2017.
- Shun Wo Group Holdings Limited is engaged in undertaking foundation works in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had a net asset value of approximately HK\$162,371,000 as at 31 March 2018.

4. Pantronics Holdings Limited is principally engaged in the electronic manufacturing services. No dividend was received during the period. According to its latest published financial statements, it had a net asset value of approximately HK\$114,396,000 as at 31 March 2018.
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; money lending in Hong Kong; and (v) manufacture of custom-made furniture in the PRC. No dividend was received during the period. According to its latest published financial statements, it had a net asset value of approximately HK\$334,205,000 as at 31 March 2018.
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 three months ended 30 June 2018, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$1.55 million and loss recognised in revenue for the amount of HK\$0.02 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds <i>HK\$'000</i>	Realised gain/(loss) <i>HK\$'000</i>
Pantronics Holdings Limited	1611	BVI	36	1.7
GCL-Poly Energy Holdings Limited	3800	Cayman Islands	1,516	(22.9)
			1,552	(21.2)

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.

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 2018.

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 2018	Granted during the period	Exercised during the period	At 30 June 2018			Exercise price of share options* <i>HK\$ per share</i>	At grant date of options <i>HK\$ per share</i>
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 2018 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 ("Mr. Tjia")	22,887,200	338,414,868 (Note 1)	—	—	361,302,068	36.13%
Mr. Ong King Keung	—	—	—	1,000,000	1,000,000	0.10%
Mr. Lee Tho Siem	—	—	—	1,000,000	1,000,000	0.10%
Mr. Cheung Ting Kee	—	—	—	1,000,000	1,000,000	0.10%

* The options were granted on 3 February 2016 with a consideration of HK\$1 under the Share Option Scheme adopted by the Company. The above options could be exercised from the date of grant to 2 February 2019 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$0.025 each in the Company at an initial exercise price of HK\$0.28 per share. None of the options were exercised by any of the above Directors during the 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 <i>HK\$</i>	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 2018
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		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) <i>(Note 1)</i>	418,596,600	42.81%
Mr. Keung Kwok Cheung	300,000(L)	—	300,000	0.03%
Mr. Kwok Koon Keung	1,500(L)	—	1,500	—
Mr. Lee Tho Siem	1,785,000 (L) <i>(Note 2)</i>	—	1,785,000	0.18%

Notes:

(L) denotes long position.

1. Mr. Tjia beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. Sparta Assets directly beneficially owned 349,935,000 shares in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 349,935,000 shares in DDIHL held by Sparta Assets.
2. Mr. Lee Tho Siem directly beneficially owned 1,110,000 shares and is deemed 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.

As at 30 June 2018, 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 2018, 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 2018, 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%

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).

Save as disclosed above, at 30 June 2018, 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 2018.

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 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 unaudited quarterly results of the Company for the three month ended 30 June 2018 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 2018

As at the date of this announcement, 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.

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.