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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF THE 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 2019, together with the comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
REVENUE	4	**645,835**	792,010
Cost of sales		**(626,055)**	(706,711)
Gross profit		**19,780**	85,299
Other income and gains	4	**3,397**	1,296
Fair value gain/(loss) on investment properties		**767**	(1,770)
Administrative expenses		**(36,939)**	(37,361)
Other operating expenses, net		**(3,072)**	(14,364)
Finance costs	6	**(3,741)**	(3,453)
PROFIT/(LOSS) BEFORE TAX	5	**(19,808)**	29,647
Income tax credit/(expense)	7	**86**	(905)
PROFIT/(LOSS) FOR THE YEAR		**(19,722)**	28,742
Attributable to:			
Owners of the Company		**(14,917)**	38,831
Non-controlling interests		**(4,805)**	(10,089)
		(19,722)	28,742
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**HK(1.49) cents**	HK3.88 cents
Diluted		**HK(1.49) cents**	HK3.29 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2019

	2019 *HK$'000*	2018 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(19,722)**	28,742
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(551)**	2,726
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of leasehold land and buildings	**2,750**	1,607
Income tax effect	**(454)**	(265)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**2,296**	1,342
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,745**	4,068
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(17,977)**	32,810
Attributable to:		
Owners of the Company	**(13,468)**	42,612
Non-controlling interests	**(4,509)**	(9,802)
	(17,977)	32,810

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**22,593**	20,567
Investment properties		**19,520**	—
Total non-current assets		**42,113**	20,567
CURRENT ASSETS			
Gross amount due from contract customers		—	44,055
Due from related companies		**5,902**	5,913
Accounts receivable	9	**62,485**	99,984
Prepayments, deposits and other receivables		**101,472**	131,273
Contract assets		**79,928**	—
Financial assets at fair value through profit or loss		**21,533**	19,621
Tax recoverable		**30**	1,209
Pledged deposits		**26,328**	26,236
Cash and cash equivalents		**75,327**	54,314
Total current assets		**373,005**	382,605
CURRENT LIABILITIES			
Gross amount due to contract customers		—	113,898
Accounts payable	10	**33,560**	39,062
Other payables and accruals		**60,568**	69,719
Contract liabilities		**173,640**	—
Due to a non-controlling shareholder		**1,500**	1,500
Due to a related company		**14**	15
Tax payable		**1,280**	2,337
Derivative component of convertible bonds	11	—	2,470
Liability component of convertible bonds	11	**31,346**	—
Interest-bearing bank borrowings		**12,100**	9,407
Total current liabilities		**314,008**	238,408
NET CURRENT ASSETS		**58,997**	144,197
TOTAL ASSETS LESS CURRENT LIABILITIES		**101,110**	164,764

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 March 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Liability component of convertible bonds		—	28,295
Deferred tax liabilities		**1,397**	1,128
Total non-current liabilities		**1,397**	29,423
Net assets		**99,713**	135,341
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	**25,000**	25,000
Reserves		**85,322**	113,115
		110,322	138,115
Non-controlling interests		**(10,609)**	(2,774)
Total equity		**99,713**	135,341

NOTES TO FINANCIAL STATEMENTS

31 March 2019

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 following activities: (i) 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; (ii) investment in securities; and (iii) property investment.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and financial assets at fair value through profit or loss 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 2019. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendments to HKFRS 4 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Classification and measurement (continued)

A reconciliation between the changes in carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		HKAS 39 measurement		HKFRS 9 measurement	
	Category	**Amount**	**ECL**	**Amount**	**Category**
		HK$'000	*HK$'000*	*HK$'000*	
Financial assets					
Accounts receivable *(Note)*	L&R[1]	44,868	(11,387)	33,481	AC[2]

1 L&R: Loans and receivables

2 AC: Financial assets at amortised cost

Note: The gross carrying amounts of the accounts receivable under the column "HKAS 39 measurement — Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs.

As of 1 April 2018, other financial assets, including amounts due from related companies, financial assets included in prepayments, deposits and other receivables, pledged deposits and cash and cash equivalents, previously classified as loans and receivables under HKAS 39 were reclassified to financial assets at amortised cost under HKFRS 9 at their original carrying values, and there have been no changes to the classification or measurement of financial liabilities as a result of the adoption of HKFRS 9.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 March 2018	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Accounts receivable	6,034	11,387	17,421

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Impact on retained profits and non-controlling interests

The impact of transition to HKFRS 9 on retained profits and non-controlling interests is as follows:

	Retained profits	Non-controlling interests
	HK$'000	*HK$'000*
Balance as at 31 March 2018 under HKAS 39	84,046	(2,774)
Recognition of expected credit losses for accounts receivable under HKFRS 9	(8,209)	(3,178)
Balance as at 1 April 2018 under HKFRS 9	75,837	(5,952)

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	Increase/ (decrease)
	HK$'000
Assets	
Gross amount due from contract customers	(44,055)
Accounts receivable	(55,116)
Contract assets	111,791
Total assets	12,620
Liabilities	
Gross amount due to contract customers	(113,898)
Contract liabilities	132,782
Total liabilities	18,884
Equity	
Retained profits	(6,116)
Non-controlling interests	(148)
	(6,264)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 March 2019 and for the year ended 31 March 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 March 2019:

	Amounts prepared under		
	HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	645,835	711,957	(66,122)
Cost of sales	(626,055)	(692,142)	66,087
Gross profit	19,780	19,815	(35)
Loss before tax	(19,808)	(19,773)	(35)
Income tax credit	86	86	—
Loss for the year	(19,722)	(19,687)	(35)
Attributable to:			
Owners of the Group	(14,917)	(15,323)	406
Non-controlling interests	(4,805)	(4,364)	(441)
	(19,722)	(19,687)	(35)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted			
— For loss for the year	HK(1.49) cents	HK(1.53) cents	HK0.04 cent

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

Consolidated statement of financial position as at 31 March 2019:

	Amounts prepared under		
	HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
	HK$'000	*HK$'000*	*HK$'000*
Gross amount due from contract customers	—	1,438	(1,438)
Accounts receivable	62,485	124,254	(61,769)
Contract assets	79,928	—	79,928
Total assets	415,118	398,397	16,721
Gross amount due to contract customers	—	150,620	(150,620)
Contract liabilities	173,640	—	173,640
Total liabilities	315,405	292,385	23,020
Net assets	99,713	106,012	(6,299)
Retained profits	56,401	62,111	(5,710)
Non-controlling interests	(10,609)	(10,020)	(589)
Total equity	99,713	106,012	(6,299)

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2018: three, restated) 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.

In the prior year, the Group had two reportable segments which were the construction business segment and the securities investment segment. As a result of the Group's acquisition of investment properties and the increased transaction volume of rental activities during the year, management has reassessed the Group's segment reporting and decided that for financial reporting purposes, there is a new reportable operating segment as the resources allocation, performance assessment and decision making of the property investment segment are considered separately. The Group's comparative reportable segment information is restated as if the Group had been operating under the three segments for the year ended 31 March 2018.

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

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

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2019

	Construction business *HK$'000*	Securities investment *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Income/(loss) from external customers	651,102	(5,721)	454	645,835
Other income and gains	2,926	—	—	2,926
	654,028	(5,721)	454	648,761
Segment results				
Operating profit/(loss)	(12,962)	(5,721)	1,026	(17,657)
Reconciliation:				
Interest income				471
Fair value gain on the derivative component of convertible bonds				2,470
Unallocated expenses				(1,351)
Finance costs				(3,741)
Loss before tax				(19,808)
Segment assets	272,365	21,533	19,535	313,433
Reconciliation:				
Corporate and other unallocated assets				101,685
Total assets				415,118
Segment liabilities	269,090	—	192	269,282
Reconciliation:				
Corporate and other unallocated liabilities				46,123
Total liabilities				315,405
Other segment information:				
Fair value gain on investment properties	—	—	(767)	(767)
Loss on disposal of items of property, plant and equipment	62	—	—	62
Impairment of accounts receivable	1,190	—	—	1,190
Impairment of contract assets	4,334	—	—	4,334
Depreciation	811	—	—	811
Capital expenditure*	184	—	18,753	18,937

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2018 (restated)

	Construction business *HK$'000*	Securities investment *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Income from external customers	748,651	43,359	—	792,010
Other income and gains	233	—	636	869
	748,884	43,359	636	792,879
Segment results				
Operating profit/(loss)	10,307	42,058	(1,224)	51,141
Reconciliation:				
Interest income				427
Fair value gain on the derivative component of convertible bonds				5,851
Provision for cash loss				(22,361)
Unallocated expenses				(1,958)
Finance costs				(3,453)
Profit before tax				29,647
Segment assets	301,792	19,621	—	321,413
Reconciliation:				
Corporate and other unallocated assets				81,759
Total assets				403,172
Segment liabilities	222,894	1,300	—	224,194
Reconciliation:				
Corporate and other unallocated liabilities				43,637
Total liabilities				267,831
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)**

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**479,086**	547,610
Mainland China	**166,749**	240,197
Macau	**—**	4,203
	645,835	792,010

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**42,042**	20,540
Mainland China	**71**	27
	42,113	20,567

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

Information about a major customer

During the year, revenue of approximately HK$168,640,000 (2018: HK$112,074,000) 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

An analysis of the revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Income from the construction contracting and related businesses	**651,102**	748,651
Revenue from other sources		
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	**(5,723)**	43,199
Dividend income from equity investments at fair value through profit or loss	**2**	160
Gross rental income	**454**	—
	645,835	792,010

Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 March 2019

	HK$'000
Building construction works	**163,239**
Electrical and mechanical engineering ("**E&M**") works	**161,570**
Fitting-out works	**326,293**
Total revenue from contracts with customers transferred over time	**651,102**

Other income and gains

Other income and gains include the following:

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**471**	427
Gross rental income	**—**	636
Bad debt recovery from a winding-up customer	**2,528**	—
Others	**398**	233
	3,397	1,296

5. PROFIT/(LOSS) BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of construction contracting	**626,055**	706,711
Depreciation	**811**	808
Minimum lease payments under operating leases on land and buildings	**2,664**	2,595
Provision for cash loss	**—**	22,361
Loss on disposal of items of property, plant and equipment	**62**	52
Foreign exchange differences, net	**(44)**	44
Impairment of financial and contract assets, net:		
Impairment/(reversal of impairment) on accounts receivable, net	**1,190**	(2,242)
Impairment of contract assets	**4,334**	—
	5,524	(2,242)
Fair value gain on the derivative component of convertible bonds *(note 11)*	**(2,470)**	(5,851)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**521**	288
Interest on convertible bonds *(note 11)*	**3,669**	3,313
Less: Interest capitalised	**(449)**	(148)
	3,741	3,453

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

	2019	2018
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**99**	262
Current — Elsewhere		
Charge for the year	**—**	1,388
Deferred	**(185)**	(2,091)
Land appreciation tax ("**LAT**") in Mainland China	**—**	1,346
Total tax charge/(credit) for the year	**(86)**	905

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 year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (2018: 1,000,000,000) in issue during the year.

The calculation of the diluted earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on convertible bonds and fair value 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/(loss) 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.

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

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

	2019	2018
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**(14,917)**	38,831
Interest on convertible bonds *(note 11)*	**3,669**	3,313
Fair value gain on the derivative component of convertible bonds *(note 11)*	**(2,470)**	(5,851)
Profit/(loss) attributable to ordinary equity holders of the Company before the effect of convertible bonds	**(13,718)**	36,293

	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year 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	**103,000,000****	103,000,000
	1,103,000,000	1,103,000,000

* The share options granted on 3 February 2016 had an anti-dilutive effect on the basic earnings/(loss) per share and have not been included in the diluted earnings/(loss) per share calculation for the year ended 31 March 2019 and 31 March 2018.

** For the year ended 31 March 2019, because the diluted loss per share amount is decreased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss for the year of HK$14,917,000, and the weighted average number of ordinary shares of 1,000,000,000 in issue during the year.

9. ACCOUNTS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Accounts receivable	**77,272**	50,902
Impairment	**(14,787)**	(6,034)
	62,485	44,868
Retention money receivables	**—**	55,116
	62,485	99,984

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. In the prior year, the retention money receivables in respect of construction work carried out by the Group, the due dates were usually one year after completion of the construction work which was reclassified to contract assets as at 1 April 2018. 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 ageing analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**53,793**	18,795
91 to 180 days	**3,296**	7,357
181 to 360 days	**3,299**	6,069
Over 360 days	**2,097**	12,647
	62,485	44,868
Retention money receivables	**—**	55,116
Total	**62,485**	99,984

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

9. ACCOUNTS RECEIVABLE (continued)

The movements in the loss allowance for impairment of accounts receivable are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**6,034**	8,276
Effect of adoption of HKFRS 9	**11,387**	—
At beginning of year (restated)	**17,421**	8,276
Impairment losses, net *(note 5)*	**1,190**	(2,242)
Written off	**(3,315)**	—
Exchange realignment	**(509)**	—
At end of year	**14,787**	6,034

10. ACCOUNTS PAYABLE

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

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**5,426**	9,381
91 to 180 days	**10,187**	10,561
181 to 360 days	**525**	7,761
Over 360 days	**17,422**	11,359
	33,560	39,062

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

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

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

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

	Liability component	**Derivative component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2017	25,600	8,321	33,921
Interest paid	(618)	—	(618)
Interest expense *(note 6)*	3,313	—	3,313
Fair value adjustment *(note 5)*	—	(5,851)	(5,851)
At 31 March 2018 and 1 April 2018	**28,295**	**2,470**	**30,765**
Interest paid	**(618)**	**—**	**(618)**
Interest expense *(note 6)*	**3,669**	**—**	**3,669**
Fair value adjustment *(note 5)*	**—**	**(2,470)**	**(2,470)**
At 31 March 2019	**31,346**	**—**	**31,346**

Subsequent to the end of the reporting period, the convertible bonds were fully redeemed by the Company.

12. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 ordinary shares of HK$0.025 each	**100,000**	100,000
Issued and fully paid:		
1,000,000,000 ordinary shares of HK$0.025 each	**25,000**	25,000

13. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to a memorandum of understanding dated 21 February 2019 (the "**MOU**") and a sale and purchase agreement dated 12 April 2019 (the "**S&P Agreement**"), each of Deson Development Holdings Limited ("**DDHL**"), a wholly-owned subsidiary of Deson Development International Holdings Limited ("**DDIHL**") incorporated in the BVI, Sparta Assets Limited, a company incorporated in the BVI, and Mr. Tjia Boen Sien (collectively the "**Sellers**") has conditionally agreed to sell; and Energy Luck Limited, a company wholly-owned by Mr. Wong Kui Shing incorporated in the BVI, has conditionally agreed to buy the respective equity interest of the sellers in the Company comprising 361,302,082 shares of the Company at an aggregate consideration of approximately HK$79,486,000 (the "**Proposed Transaction**"). Further details of the Proposed Transaction are set out in the Circular of DDIHL dated 24 May 2019.

During the year and up to the approval date of these financial statements, the Company is an associate of DDIHL which held an 31.18% equity interest in the Company indirectly through DDHL. Among the Sellers of the Proposed Transaction, DDHL would sell its entire equity interest in the Company comprising 311,769,867 shares at the consideration of approximately HK$68,589,000.

Among the conditions precedent to the completion of the Proposed Transaction in accordance with the terms of the S&P Agreement, DDIHL has obtained its shareholders' approval in a special general meeting on 11 June 2019 for entering into the S&P Agreement and the Proposed Transaction in relation to its equity interest in the Company, and has fulfilled such condition to the Proposed Transaction. Upon completion of the Proposed Transaction, the Company would no longer be an associate of DDIHL. The completion of the Proposed Transaction is expected to take place in next financial period.

(b) On 11 March 2019, the Group entered into a sale and purchase agreement to acquire the entire equity interest in Simple Rise Inc. at a consideration of HK$19,500,000. The transaction is tentatively planned to complete in August 2019.

(c) On 18 April 2019, the convertible bond with a principal amount of HK$30,900,000 matured and was redeemed by the Company.

14. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Management fees received from a subsidiary of the Company's substantial shareholder	(i)	**110**	73
Rental expenses paid to a subsidiary of the Company's substantial shareholder	(ii)	**1,716**	1,716
Income from the construction contracting and related services received from an associate of the Company's substantial shareholder	(iii)	**6,603**	1,180

Notes:

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

(ii) Rental expenses were charged by a subsidiary of the Company's substantial shareholder, Grand On Enterprise Limited, at HK$143,000 (2018: HK$143,000) per month.

(iii) The construction contracting and related service fee was charged in accordance with the service agreement as mutually agreed between the parties.

For note (iii) above, the fitting-out services agreement ("**Agreement**") dated 23 November 2017 has been entered into between 上海迪申建築裝潢有限公司 ("**Shanghai Deson**"), a wholly-owned subsidiary of the Company, and 華勝國際置業開發 (上海) 有限公司 ("**Huasheng**"), an associated company of DDIHL, in respect of the provision of fitting-out services by Shanghai Deson to Huasheng for the property, which is known as the Starway Parkview South Station Hotel (formerly known as Shanghai Parkview Business hotel). The aggregate service fees payable to Shanghai Deson for its provision of fitting-out services and purchase of furniture and fittings under the Fitting-out Services Agreement is approximately RMB8.3 million.

As at the date of the Agreement, DDIHL indirectly held approximately 31.18% of the total issued share capital of the Company. Accordingly, DDIHL is the controlling shareholder of the Company and therefore a connected person of the Company. As Huasheng is an indirect wholly-owned subsidiary of DDIHL, and Shanghai Deson is an indirect wholly-owned subsidiary of the Company, Huasheng is an associate of DDIHL, and therefore a connected person of the Company. As one or more of the applicable percentage ratios calculated in accordance with the GEM Listing Rules exceed 0.1% but are less than 25% and the total consideration is less than HK$10 million, the entering into of the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company which are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

Details please refer to the announcement of the Company dated 23 November 2017.

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) E&M works; and (c) alterations, addition, renovation, refurbishment and fitting-out works; (ii) investment in securities, where the Group invests in long term and short term investment in marketable securities; and (iii) property investment in Hong Kong, where the Group acquire property in Hong Kong and earn rental income.

The Group's turnover for the year ended 31 March 2019 ("**Reporting Period**") recorded at approximately HK$645,835,000 which represented a decrease of approximately 18% from approximately HK$792,010,000 for the year ended 31 March 2018. For construction segment, turnover for the year ended 31 March 2019 recorded at approximately HK$651,102,000 which represented a decrease of 13% from approximately HK$748,651,000 for the year ended 31 March 2018. For investment in marketable securities segment, turnover for the year ended 31 March 2019 recorded at a loss of approximately HK$5,721,000 which represented a decrease of 113% from a profit of approximately HK$43,359,000 for the year ended 31 March 2018. For property investment segment, turnover for the year ended 31 March 2019 recorded at approximately HK$454,000.

(i) Construction Segment

(a) Building construction works:

For the year ended 31 March 2019, revenue recorded at this section amounted to approximately HK$163,239,000 (2018: HK$149,206,000). The increase by approximately 9% was due to the additional turnover recognised for (i) the main contractor works regarding one residential redevelopment works including E&M works at Peak Road House A, Hong Kong which commenced in January 2018; (ii) the site formation and foundation works at Peak Road Zone C, Hong Kong which commenced in June 2018; and (iii) superstructure work for one residental home including E&M works at Peak Road House B (through an unincorporated joint venture company). No revenue was recognised for these projects in the last reporting period.

The above increase was partly offset by the decrease in turnover due to near completion of the site formation and foundation works for a residential house redevelopment at Peak Road Zone A and Zone B, Hong Kong for the year ended 31 March 2018 and thus just a few portion of the revenue was recognised in this Reporting Period. Besides, the revenue generated from the variation order works for main contractor works in respect of four residential houses at Stubbs Road, Hong Kong of which the corresponding main contract was completed in the year ended 31 March 2015 were recognised in the last reporting period and therefore less amount was recognised in this Reporting Period.

(b) ***E&M works:***

For the year ended 31 March 2019, revenue recorded from this section amounted to approximately HK$161,570,000 (2018: HK$242,786,000).

The significant decrease by approximately 33% 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) the building services installation works of two special schools at Sung On Street, To Kwa Wan, Kowloon, Hong Kong; (ii) the building services installation works of 36-classroom primary school at Area 36 in Fanling, New Territories, Hong Kong; (iii) the supply and installation of fire services for redevelopment of a church at Queen's Road East, Hong Kong; and (iv) the electrical installation at Lot 1003 at Demarcation District No 40, Sha Tau Kok, New Territories, Hong Kong.

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, term contract for building services works at Sogo Department Store, Causeway Bay, Hong Kong and new term contract commencing from January 2018 for maintenance and repair of alteration and additions to fire service installation for health services building in Hong Kong.

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

For the year ended 31 March 2019, revenue recorded from this section amounted to approximately HK$326,293,000 (2018: HK$356,659,000).

The decrease by approximately 9% was resulted from (i) the completion of a fitting-out work contract of a residential house at Henderson Road, Hong Kong in May 2017; (ii) the completion of fitting-out works of an office at the China Insurance Group Building, Central, Hong Kong; (iii) alteration and addition works for East Point Centre, Causeway Bay, Hong Kong; and (iv) the amount received in the last reporting period for a project in Beijing, the PRC, that was in dispute with a client. No further work was performed in the Reporting Period and therefore no revenue was recognised in this Reporting Period.

The above decrease was partly offset due to the increase in revenue generated from following projects which commenced in this Reporting Period: (i) the fitting-out works of House A at Stubbs Road, Hong Kong in April 2018; (ii) the fitting-out works of a locker room of a sports hall in Hebei, the PRC in January 2018; and (iii) the fitting-out works at Pik Sha Road, Hong Kong in July 2018.

(ii) Investment in Securities Segment

For the year ended 31 March 2019, loss recorded from this segment amounted to approximately HK$5,721,000 (2018: revenue of HK$43,359,000).

As at 31 March 2019, the Group managed a portfolio of listed equity investments with fair value of approximately HK$22 million (31 March 2018: HK$20 million) which are classified as financial assets at fair value through profit or loss.

During the Reporting Period, the Group recorded (i) an unrealised loss on fair value change of listed equity investments of approximately HK$5,003,000 (31 March 2018: gain of HK$9,736,000); (ii) a realised loss of approximately HK$720,000 (31 March 2018: realised gain of HK$33,463,000); and (iii) dividend income received from equity investments of approximately HK$2,000 (31 March 2018: approximately HK$160,000). Details of the marketable securities are disclosed under the section headed "**SIGNIFICANT INVESTMENTS**" in this results announcement.

(iii) Property Investment Segment

For the year ended 31 March 2019, revenue recorded from this segment amounted to approximately HK$454,000 (31 March 2018: Nil). It was mainly attributable to 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 the 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 in Jordan, Kowloon, Hong Kong with a 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 in Wanchai, Hong Kong with a 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 in order to generate additional income for the Group. The Board considered that the acquisitions are 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 acquisitions, which involved 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 rising costs consistent with the market conditions both in labour and material throughout the contractual period and extra costs for extended contractual period in some projects as well for the year ended 31 March 2019; (ii) fair value loss of the marketable securities for the year ended 31 March 2019; and (iii) loss incurred for the fitting-out works of Beijing subsidiary, the net loss attributable to owners of the Company for this Reporting Period is approximately HK$14,917,000 as compared with the net profit attributable to owners of the Company which amounted to approximately HK$38,831,000 for the year ended 31 March 2018. The above decrease was partly offset by 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 ("**Beijing Chang-De**"), a 60% owned subsidiary in the last reporting period. No such loss was recognised in this Reporting Period. Details of the case are included in the section headed "**Status of the legal case**" for details of this case.

Basic loss per share is HK1.49 cents for the year ended 31 March 2019.

STATUS OF THE LEGAL CASE

As stated 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 the PRC 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.

In relation to the above matter, Beijing Chang-De has immediately: (i) established an investigation committee to investigate and report on the matter; (ii) commenced 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) terminated the employment contract of the personnel involved in accordance with the statutory requirements and sued such personnel for fraud; and (iv) reported to the relevant accounting association on the professional negligence and misconduct of the relevant personnel involved.

On 7 September 2018, a writ of summons was filed to Chaoyang District People's Court of Beijing Municipality of the PRC.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2019, the Group's turnover amounted to approximately HK$646 million (2018: approximately HK$792 million), decreased by approximately 18% as compared to the last reporting 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 decrease in the fair value gain on equity investments at fair value through profit or loss.

Gross profit margin

The Group's gross profit decreased significantly by approximately HK$65.5 million or approximately 77%, from approximately HK$85.3 million for the year ended 31 March 2018 to approximately HK$19.8 million for the year ended 31 March 2019. The decrease in gross profit was mainly arising from the fair value loss for the marketable securities.

During the year ended 31 March 2019, the gross profit margin was approximately 3.1%, down by 7.7 percentage point as compared to last year's 10.8%. This is mainly because of (i) the change from gain from the equity investment in security segment in the last report period to a loss incurred in this Reporting Period for the same segment; and (ii) loss incurred for the E&M section.

After excluding the portion generating from the investment in marketable securities segment and property investment segment, the gross profit margin for this Reporting Period was approximately 3.8%, down by 1.8 percentage points as compared to the last period's 5.6%. The significant decrease was due to the loss incurred for the E&M section.

Other income

Other income increased by approximately HK$2.1 million or 162% from approximately HK$1.3 million for the year ended 31 March 2018 to approximately HK$3.4 million for the year ended 31 March 2019. The increase is mainly due to the compensation received from a winding-up company which related to a long outstanding contracts amount in which a full provision was made in the previous years.

Administrative expenses

Administrative expenses decreased by approximately HK$0.5 million or 1% from approximately HK$37.4 million for the year ended 31 March 2018 to approximately HK$36.9 million for the year ended 31 March 2019. The slight decrease was mainly attributable to the decrease of staff cost of Beijing Chang-De in view of its decrease in number of staff.

Other operating expenses, net

Other operating expenses, net decreased significantly by approximately HK$11.3 million or 79% from approximately HK$14.4 million for the year ended 31 March 2018 to approximately HK$3.1 million for the year ended 31 March 2019. The last 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 gain of approximately HK$2 million on the derivative component of the convertible bonds was recorded in this Reporting Period.

Finance costs

Finance costs increased by approximately HK$0.2 million or 8% from approximately HK$3.5 million for the year ended 31 March 2018 to approximately HK$3.7 million for the year ended 31 March 2019. The slight increase was mainly due to the increase in interest of liability component of the convertible bonds.

Liquidity and financial resources

The Group continued to maintain a suitable liquid position. As at 31 March 2019, the Group had cash and cash equivalents of approximately HK$75,327,000 (2018: HK$54,314,000) which are mainly denominated in Hong Kong dollars and Renminbi. As at 31 March 2018, the Group had total assets of approximately HK$415,118,000 (2018: HK$403,172,000). The Group's current ratio at 31 March 2019 was approximately 1.19 (2018: 1.60).

As at 31 March 2019, the gearing ratio for the Group is approximately 1% (2018: 18%). It was calculated based on the non-current liabilities of approximately HK$1,397,000 (2018: HK$29,423,000) and long term capital (equity and non-current liabilities) of approximately HK$101,110,000 (2018: HK$164,764,000).

Capital expenditure

Total capital expenditure for the Reporting Period was approximately HK$18,937,000 (2018: HK$129,000), which mainly represented acquisition of investment properties.

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 of approximately HK$16,575,000, representing the sale and purchase agreement entered into as disclosed in section headed "**Events after the Reporting Period**" in this results announcement before.

Charges on group assets

Assets with a carrying value of approximately HK$47,928,000 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's foreign exchange risk mainly arises from balances denominated in Renminbi, which relates to the Group's 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 year ended 31 March 2019.

As at 31 March 2019, the Company had outstanding convertible bonds with an 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.

Subsequent to the end of the Reporting Period, the convertible bonds had already been fully redeemed by the Company.

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", the Group is well-equipped to take an active part in the construction business development.

During the years, new projects such as site formation and foundation works at Peak Road Zone C, Hong Kong, the main contractors works including E&M works of one residential house at Peak Road (through an unincorporated joint venture company), E&M works for proposed residential redevelopment at Pok Fu Lam Road, Hong Kong, interior renovation works for Sogo office at East Point Centre, Causeway Bay, Hong Kong, the replacement of air-cooled chiller and modification of chiller plant at Ho Man Tin Government Offices, the fitting-out works of House A at No. 48 Stubbs Road, Hong Kong, the fitting-out works at Pik Sha Road, Sai Kung, the fitting-out works of a House C at No. 48 Stubbs Road, Hong Kong, the fitting-out works of a residential in Guanghua New Town Residential District, Beijing, the PRC, the fitting-out works of offices at the Beijing Capital International Airport, the fitting-out works of an office in Xicheng, Beijing, the PRC and a redevelopment project of a kindergarten in Shunyi, Beijing, the PRC. As at the date of this results announcement, the Group has contracts on hand with a total contract sum of over HK$1,544 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 investments in securities, the Group has set up a Treasury Management Committee ("**Treasury Management Committee**") to implement on the Group's behalf the investment policy and guidelines. The Treasury Management Committee comprises one chairman and two committee members (comprising of two directors and the financial controller of the Company, including at least one executive director who acts as the investment manager). The Board will adopt cautious measures to manage this business activity aiming at generating additional investment return on the available funds of the Group from time to time.

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 volatility 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.

In March 2019, the Group has entered into another sale and purchase agreement to acquire two properties through two property holding companies at the consideration of HK$19,500,000. These properties are located at Wanchai, Hong Kong with saleable area of 1,220 square feet. The transaction is expected to be completed in August 2019.

The Directors, including the independent non-executive Directors, are of the view that the terms of the abovementioned 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 2019, the Group held approximately HK$22 million equity investments at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock code	Place of incorporation	Unrealised fair value gain/(loss)	Market value	Approximate percentage of equity investments at fair value through profit and loss	Approximate percentage to the net assets of the Group
				HK$'000	*HK$'000*	*%*	*%*
SOHO China Limited	1	410	Cayman Islands	(24.3)	99.0	0.45	0.10
Singamas Container Holdings Limited	2	716	Hong Kong	(2.0)	129.0	0.60	0.13
Shun Wo Group Holdings Limited	3	1591	Cayman Islands	(1,647.0)	2,295.0	10.66	2.30
Pantronics Holdings Limited	4	1611	British Virgin Islands	2,883.9	4,648.0	21.59	4.66
Wang Yang Holdings Limited	5	1735	Cayman Islands	662.3	8,458.1	39.28	8.48
EJE (Hong Kong) Holdings Limited	6	8101	Cayman Islands	(6,876.0)	5,904.0	27.42	5.92
				(5,003.1)	21,533.1	100.00	21.59

Notes:

1. SOHO China Limited is principally engaged in real estate development, property leasing and property management. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately RMB35,793,437,000 as at 31 December 2018.

2. 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$2,475 was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately USD695,779,000 as at 31 December 2018.

3. Shun Wo Group Holdings Limited is engaged in undertaking foundation works in Hong Kong. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK$162,942,000 as at 30 September 2018.

4. Pantronics Holdings Limited is principally engaged in the electronic manufacturing services. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK$134,887,000 as at 30 September 2018.

5. Wang Yang Holdings Limited is principally engaged in (i) foundation works which include piling works, excavation and lateral support works, and pile cap construction; (ii) superstructure works which include building works in relation to the parts of the structure above the ground level; and (iii) other construction works such as demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK$188,568,000 as at 30 September 2018.

6. 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 Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK$318,355,000 as at 30 September 2018.

During the year ended 31 March 2019, the Group disposed certain investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK$5.8 million, giving rise to a net loss of approximately HK$0.7 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds	Realised gain/(loss)
			HK$'000	*HK$'000*
DTXS Silk Road Investment Holdings Company Limited	620	Bermuda	817	(15.3)
Pantronics Holdings Limited	1611	British Virgin Islands	36	1.7
FSM Holdings Limited	1721	Cayman Islands	3,291	(17.1)
GCL-Poly Energy Holdings Limited	3800	Cayman Islands	1,516	(22.8)
Koala Financial Group Limited	8226	Cayman Islands	179	(666.5)
			5,839	(720.0)

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in section head "**Events after the Reporting Period**" in this results announcement, the Group did not have other plans for material investment or capital assets as at 31 March 2019.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2019, there was no material acquisition and disposal of subsidiaries and affiliated companies by the Group.

HUMAN RESOURCES

As at 31 March 2019, the Group had 115 employees, 46 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the year ended 31 March 2019 amounted to approximately HK$34.2 million as compared to approximately HK$33.6 million for the year ended 31 March 2018. The increase was mainly due to the increment under the annual review in this Reporting Period.

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

(1) In March 2019, the Group has entered into a 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$19,500,000. Those properties are located at Wanchai, Hong Kong with saleable area of 1,220 square feet. The transaction is expected to be completed on 15 August 2019.

    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 11 March 2019 for further details.

(2) In the joint announcement dated 12 April 2019 (the "**Joint Announcement**"), Deson Development International Holdings Limited ("**DDIHL**"), the Company and Energy Luck jointly announced that Energy Luck has entered into a sale and purchase agreement with Deson Development Holdings Limited ("**DDHL**") to acquire approximately 31.18% of the issued shares of the Company ("**DDIHL Transaction**"). Upon completion of the DDIHL Transaction, Energy Luck will become the controlling shareholder of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, following the completion of the DDIHL Transaction, Energy Luck is required to make a mandatory conditional general offer in cash for all the issued shares other than those already owned or agreed to be acquired by Energy Luck and its concert parties (the "**Offers**"). For details, please refer to (i) the Joint Announcement; (ii) the announcement of the Company dated 17 May 2019 in relation to the appointment of an independent financial adviser; (iii) the circular of DDIHL dated 24 May 2019 in relation to the disposal of 31.18% shareholding in the Company to Energy Luck; (iv) the announcement of DDIHL

dated 11 June 2019 in relation to the poll results of the special general meeting of DDIHL held on 11 June 2019; (v) the announcement of the Company dated 12 June 2019 in respect of the satisfaction of the conditions under the sale and purchase Agreement and the expected date of completion; (vi) the joint announcement of the Company, DDIHL and Energy Luck dated 18 June 2019 in relation to the completion of the DDIHL Transaction; and (vii) the composite offer document relating to the Offers made by Energy Luck expected to be despatched in or about July 2019.

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 2019.

CONTINUING CONNECTED TRANSACTIONS

Administrative services agreement

On 1 April 2017, Grand On Enterprise Limited ("**Grand On**"), a wholly-owned indirect subsidiary of DDHL, 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 two years from 1 April 2017 to 31 March 2019. 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 2018 and 31 March 2019 did not exceed HK$600,000.

On 7 March 2019, the Administrative Services Agreement was renewed for a term of one year from 1 April 2019 to 31 March 2020. The annual service fee payable by Grand On to DDL for the financial year ending 31 March 2020 is not expected to exceed HK$480,000.

Lease of office in Hong Kong

On 15 April 2017, 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 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 did not exceed HK$1,716,000.

On 15 April 2019, the tenancy agreement was renewed for a term of one year from 1 April 2019 to 31 March 2020, with a rental of HK$209,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for the financial year ending 31 March 2020 is not expected to exceed HK$2,508,000.

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

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 2019 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 draft 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 2019.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2019 (2018: 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 2019 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 2019

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.