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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

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

ANNUAL RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000 (Restated)
REVENUE	4	917,804	813,264
Cost of sales		<u>(815,150)</u>	<u>(765,653)</u>
Gross profit		102,654	47,611
Other income and gains	4	1,181	1,681
Fair value gain/(loss) on investment properties		748	(420)
Administrative expenses		(31,977)	(32,989)
Other operating expenses, net		(843)	(3,911)
Finance costs	6	<u>(2,955)</u>	<u>(467)</u>
PROFIT BEFORE TAX	5	68,808	11,505
Income tax credit/(expense)	7	<u>(2,034)</u>	<u>840</u>
PROFIT FOR THE YEAR		<u>66,774</u>	<u>12,345</u>
Attributable to:			
Owners of the Company		65,535	10,856
Non-controlling interests		<u>1,239</u>	<u>1,489</u>
		<u>66,774</u>	<u>12,345</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK6.55 cents</u>	<u>HK1.09 cent</u>
Diluted		<u>HK6.31 cents</u>	<u>HK1.09 cent</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 March 2017*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 March 2017*

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		19,729	17,634
Investment properties		10,961	10,860
Total non-current assets		30,690	28,494
CURRENT ASSETS			
Gross amount due from contract customers		27,780	30,011
Due from related companies		5,900	5,894
Due from fellow subsidiaries		—	27
Accounts receivable	9	129,431	100,878
Prepayments, deposits and other receivables		29,346	23,195
Equity investments at fair value through profit or loss		65,301	8,124
Tax recoverable		1,079	2,490
Pledged deposits		32,780	29,727
Cash and cash equivalents		49,042	39,068
Total current assets		340,659	239,414
CURRENT LIABILITIES			
Gross amount due to contract customers		124,840	114,914
Accounts payable	10	27,786	32,905
Other payables and accruals		72,295	47,857
Due to a non-controlling shareholder		1,500	1,500
Due to a fellow subsidiary		—	14
Due to a related company		14	—
Tax payable		1,134	535
Derivative component of convertible bonds	11	8,321	—
Interest-bearing bank borrowings		4,455	31,510
Total current liabilities		240,345	229,235
NET CURRENT ASSETS		100,314	10,179
TOTAL ASSETS LESS CURRENT LIABILITIES		131,004	38,673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*31 March 2017*

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Liability component of convertible bonds	11	25,600	—
Deferred tax liabilities		2,873	2,767
		<hr/>	<hr/>
Total non-current liabilities		28,473	2,767
		<hr/>	<hr/>
Net assets		102,531	35,906
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	25,000	25,000
Reserves		70,503	4,654
		<hr/>	<hr/>
		95,503	29,654
Non-controlling interests		7,028	6,252
		<hr/>	<hr/>
Total equity		102,531	35,906
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO ANNUAL RESULTS

31 March 2017

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- (i) the materiality requirements in HKAS 1;
 - (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
 - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
 - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

In the prior year, the Group had only one reportable segment which was the construction business, as a main contractor and fitting out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau, and other construction related businesses. As a result of the increased transaction volume of investment in securities during the year, management of the Group has reassessed the Group's segment reporting and decided that for financial reporting purposes, there is a new reportable operating segment as the resources allocation, performance assessment and decision making of the investment in securities segment are considered separately. The impact of the abovementioned change in the Group's reportable operating segment for the year ended 31 March 2016 is considered retrospectively and the Group's operating segment information is restated as if the Group had been operating with two operating segments in that year.

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

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

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

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

Year ended 31 March 2017

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

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

Year ended 31 March 2016

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

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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

	2017 HK\$'000	2016 HK\$'000
Hong Kong	19,675	17,550
Mainland China	11,015	10,944
	<u>30,690</u>	<u>28,494</u>

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

Information about a major customer

During the year, revenue of approximately HK\$90,250,000 (2016: HK\$125,000,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

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

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

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

As further explained in note 3 to the annual results, the net fair value gain on equity investments at fair value through profit or loss of HK\$794,000 for the year ended 31 March 2016 were reclassified from other income and gains to revenue as the investment in securities segment was considered by management to be an operating segment of the Group during the year.

5. PROFIT BEFORE TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of construction contracting	815,150	765,653
Depreciation	808	830
Minimum lease payments under operating leases on land and buildings	2,530	2,572
Loss on disposal of items of property, plant and equipment	—	21
Impairment of accounts receivable	—	3,903
Fair value loss on the derivative component of convertible bonds	876	—
	<u>876</u>	<u>—</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank loans and overdrafts	485	1,394
Interest on convertible bonds (<i>note 11</i>)	2,870	—
Less: Interest capitalised	(400)	(927)
	<u>2,955</u>	<u>467</u>

7. INCOME TAX

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

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

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

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

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

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

	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,000,000,000	1,000,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	—*	20,502
Convertible bonds	98,202,740	—
	<u>1,098,202,740</u>	<u>1,000,020,502</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 year ended 31 March 2017.

9. ACCOUNTS RECEIVABLE

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

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

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

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

10. ACCOUNTS PAYABLE

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

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

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

11. CONVERTIBLE BONDS

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

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

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

The fair values of the derivative component are 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 <i>HK\$000</i>	Derivative component <i>HK\$000</i>	Total <i>HK\$000</i>
At 18 April 2016	23,455	7,445	30,900
Transaction costs	(725)	—	(725)
Interest expense (<i>note 6</i>)	2,870	—	2,870
Fair value adjustment (<i>note 5</i>)	—	876	876
	<u>25,600</u>	<u>8,321</u>	<u>33,921</u>
At 31 March 2017	<u>25,600</u>	<u>8,321</u>	<u>33,921</u>

12. SHARE CAPITAL

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Authorised:		
4,000,000,000 (2016: 4,000,000,000) ordinary shares of HK\$0.025 (2016: HK\$0.025) each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,000,000,000 (2016: 1,000,000,000) ordinary shares of HK\$0.025 (2016: HK\$0.025) each	<u>25,000</u>	<u>25,000</u>

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

	<i>Notes</i>	Number of shares in issue	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2015 and 1 April 2015		400,000,000	20,000	14,381	34,381
Subdivision of shares	(i)	400,000,000	—	—	—
Issue of bonus shares	(ii)	200,000,000	5,000	(5,000)	—
At 31 March 2016, 1 April 2016 and 31 March 2017		<u>1,000,000,000</u>	<u>25,000</u>	<u>9,381</u>	<u>34,381</u>

Notes:

- (i) On 23 April 2015, the board of directors of the Company proposed the subdivision of shares whereby each of the issued and unissued ordinary share with a par value of HK\$0.05 each in the share capital of the Company be subdivided into two ordinary shares with a par value of HK\$0.025 each (“**Subdivided Shares**”), such that the authorised share capital of the Company became HK\$100,000,000 divided into 4,000,000,000 shares with a par value of HK\$0.025 each, and the Subdivided Shares rank pari passu in all respects with each other in accordance with the memorandum and articles of association of the Company. The subdivision of shares was approved upon the passing of the ordinary resolution by the shareholders of the Company at the extraordinary general meeting held on 3 June 2015 and became effective on 4 June 2015.
- (ii) On 29 September 2015, the Company issued bonus shares on the basis of one bonus share for every four existing ordinary shares held by shareholders whose names appeared on the register of members on 25 September 2015. The issue of bonus shares was approved upon the passing of the ordinary resolution by the shareholders of the Company at the extraordinary general meeting held on 18 September 2015 and became effective on 6 October 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

(i) Construction Segment

(a) Building construction works:

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

The above decrease was partly offset by additional turnover recognised as (i) more works have been completed at the later stage of the main contractor work for development of one residential house and associated external works including construction of sub-structure and superstructure works, building services and interior fitting out works at Hoi Fung Path, Stanley; and (ii) the commencement of site formation and foundation works at Peak Road, Hong Kong during this year.

(b) Electrical and mechanical engineering works:

For the year ended 31 March 2017, revenue recorded from this section amounted to approximately HK\$261,880,000 (2016: HK\$208,643,000). The increase by approximately 26% was mainly due to the recognition of turnover for several new projects that were granted close to last year end and not much turnover was recognised in the prior year. These projects include fire services and MVAC installation of Multimedia Production and Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong and the term contract for building services works at the Sogo Department Store, Causeway Bay, Hong Kong. Besides, more revenue was recognised for the following projects that were almost at completion stages. These projects include building services installation of 36-classroom at a primary school in Area 36, Fanling, New Territories, Hong Kong and building services installation for construction of two special schools at Sung On Street, To Kwa Wan,

Kowloon. The above increase was partly offset by the completion of building services installation for the construction of two 30-classroom primary school at Kai Tak, Kowloon and air-conditioning mechanical ventilation and electrical installation for the extension of PRC Ministry of Foreign Affairs Building at Borrett Road, Hong Kong for PRC Ministry of Foreign Affairs in the last year, thus less revenue was recognised for the year ended 31 March 2017.

(c) *Fitting-out works:*

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

During the year ended 31 March 2017, the Group completed or substantially completed projects such as main contractor for the development of one residential house and associated external works including construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong, main contractor works for the development of a 12-storey residential building at Stubbs Road, Hong Kong, main contractor for the development of eight residential houses, clubhouse and associated external work at Pik Sha Road, Sai Kung, Hong Kong, building services installation of 36-classroom at a primary school in Area 36, Fanling, New Territories and building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Kowloon, air-conditioning mechanical ventilation and electrical installation for the extension of PRC Ministry of Foreign Affairs Building at Borrett Road, Hong Kong for PRC Ministry of Foreign Affairs, fitting-out works including E&M works for three Prada/Miu Miu shops at Wynn Palace, Macau, fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Hong Kong, fitting-out works, air-conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for a staff social center in Suning, Hebei, the PRC.

(ii) Investment in Marketable Securities Segment

For the year ended 31 March 2017, revenue recorded from this segment amounted to approximately HK\$45,042,000 (2016: HK\$794,000). During the last quarter of the year ended 31 March 2016, the Group started to engage in long-term and short-term investments in marketable securities and other related financial and/or investment products and opportunities (including without limitation fixed income products, foreign exchange products, commodities and related products, investment funds, pre-IPO investment opportunities, etc.) (the “**New Business**”). The initial capital required for the New Business was financed by internal resources and banking facilities of the Group. The Directors consider that the development of the New Business will enable the Group to diversify its business and broaden its revenue base and is in the interest of the Group and the Company’s shareholders as a whole.

The New Business turned out to be a significant profit driver of the Group during the year. As at 31 March 2017, the Group held approximately HK\$65 million of equity investments at fair value through profit or loss. The Group recorded a realised gain for the trading of the shares

listed in Hong Kong and a net unrealised loss of approximately HK\$47,042,000 (2016: HK\$70,000) and HK\$2,174,000 (2016: gain of HK\$724,000) respectively. Besides, dividend received during this year amounted to approximately HK\$174,000 (2016: nil). The Board will adopt cautious measures to manage this business activity aiming at generating additional investment returns on available funds of the Company from time to time. Details of the marketable securities are disclosed under the section headed “**SIGNIFICANT INVESTMENTS**”.

Due to the significant increase in realised gain generated from the trading of marketable securities for the year ended 31 March 2017 as compared with that for the year ended 31 March 2016, the net profit attributable to owners of the Company amounted to approximately HK\$65,535,000 as compared with the net profit attributable to owners of the Company amounted to approximately HK\$10,856,000 for the year ended 31 March 2016. Basic earnings per share is HK6.55 cents for the year ended 31 March 2017.

FINANCIAL REVIEW

Turnover

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

Gross profit margin

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

Other income

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

Administrative expenses

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

Finance costs

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

Liquidity and financial resources

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

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

Capital expenditure

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

Contingent liabilities

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

Commitments

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

Charges on group assets

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

Treasury policies

The Directors will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars, hence, there is no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

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

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

Capital structure of the Group

Details of the movements in the Company's share capital are set out in note 12 to the annual results.

SIGNIFICANT INVESTMENTS

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

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

Notes:

- Master Glory Group Limited is principally engaged in (i) trading of securities — trading of investments held for trading; (ii) property development trading — development and sale of properties; and (iii) water supply — provision of water. HK\$120,000 dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK\$5,325,980,000 as at 30 September 2016.
- China Information Technology Development Limited is principally engaged in (A) the software development and system integration segment in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services; and (B) the in-house developed products segment in the lease of in-house developed computer hardware. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK\$546,337,000 as at 31 December 2016.
- First Credit Finance Group Limited is principally engaged in provision and arrangement of credit facilities in Hong Kong. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK\$925,411,000 as at 31 December 2016.
- Leap Holdings Group Limited is principally engaged in (i) foundation works and ancillary services; (ii) construction wastes handling; (iii) investment in securities; and (iv) money lending. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK\$346,636,000 as at 30 September 2016.
- Echo International Holdings Group Limited is principally engaged in (i) indent trading of electronic products; and (ii) manufacturing and trading of electronic products and accessories. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK\$22,038,000 as at 30 September 2016.

6. Sunrise (China) Technology Group Limited is principally engaged in (i) securities investment; (ii) trading of commodities; (iii) trading of garment accessories; and (iv) manufacture and sales of LED digital display products. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK\$106,285,000 as at 31 December 2016.
7. Zhuguang Holdings Group Company Limited is principally engaged in property development and property investment. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK\$4,806,091,000 as at 31 December 2016.
8. Jia Meng Holdings Limited is principally engaged (i) the design, manufacture and sale of mattress and soft bed products; (ii) the provision of property management and property agency services; (iii) securities investment; and (iv) property investment. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK\$355,866,000 as at 30 September 2016.
9. Pantronics Holdings Limited is principally engaged in the contract manufacturing, on electronic manufacturing services. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately HK\$117,028,000 as at 31 March 2017.
10. China Candy Holdings Limited is principally engaged in in the manufacturing of various types of candies in China which include jelly drops candies, aerated candies, hard candies and chocolate-made products. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately RMB83,621,000 as at 31 December 2016.
11. InvesTech Holdings Limited is principally engaged in the provision of network system integration including provision of network infrastructure solutions, network professional services and mobile internet software of office automation, and trading of telecommunications equipment. No dividend was received during the year. According to its latest published financial statements, it had net asset value of approximately RMB1,054,410,000 as at 31 December 2016.

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

	Stock code	Place of incorporation	Sales proceeds <i>HK\$'000</i>	Realised gain/(loss) <i>HK\$'000</i>
Wealth Glory Holdings Limited	8269	Cayman Islands	7,712	(412)
AP Rentals Holdings Limited	1496	Cayman Islands	5,796	2,009
Hypebeast Limited	8359	Cayman Islands	25,320*	21,380
Expert Systems Holdings Limited	8319	Cayman Islands	5,728	3,455
Master Glory Group Limited	275	Bermuda	933	(32)
Huisheng International Holdings Limited	1340	Cayman Islands	2,880	(90)
Ever Harvest Group Limited	1549	Cayman Islands	5,241	468
Sandmartin International Holdings Limited	482	Bermuda	1,118	(165)
Royal Catering Group Holdings Company Limited	8300	Cayman Islands	9,339	4,793
CROSSTEC Group Holdings Limited	3893	Cayman Islands	2,552	280
Shun Wo Group Holdings Limited	1591	Cayman Islands	9,995	1,076
Goal Forward Holdings Limited	8240	Cayman Islands	3,946	537
Allied Sustainability and Environmental Consultants Group Limited	8320	Cayman Islands	3,058	795
Altus Holdings Limited	8149	Cayman Islands	13,011	9,148
China Art Financial Holdings Limited	1572	Cayman Islands	7,011	950
Jia Meng Holdings Limited	8101	Cayman Islands	1,123	218
Pantronics Holdings Limited	1611	British Virgin Islands	2,805	(498)
CMON Limited	8278	Cayman Islands	5,321	675
K W Nelson Interior Architect Group Limited	8411	Cayman Islands	2,794	774
Winto Group (Holdings) Limited	8238	Cayman Islands	5,206	116
OOH Holdings Limited	8091	Cayman Islands	6,475	1,565
			<u>127,364</u>	<u>47,042</u>

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

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

PROSPECTS

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

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

During the year, new projects such as site formation and foundation works for residential re-development at Peak Road, Hong Kong, addition and alteration works at East Point Centre, Causeway Bay, Hong Kong, two 8-months contracts for the maintenance and repair of, alterations and additions to, fire services installations for Health Services Buildings in New Territories East West region, electrical installation at Lot 1003 in Demarcation District No. 40, Sha Tau Kok, New Territories, upgrading of the addressable fire alarm control system at Kowloon Hospital Rehabilitation Building, supply and installation of E&M works at B2/F of Sogo Department Store at East Point Centre, Hennessy Road, Causeway Bay, Hong Kong, fitting-out works of offices at China Insurance Group Building, Central, Hong Kong, fitting-out works of a residential house at Henderson Road, Hong Kong, fitting-out works including electrical and mechanical works for three Prada/Miu Miu shops at City of Dreams, Macau, construction works of Beijing subway Line 1, Beijing, China, subcontracting fitting-out works for the redevelopment of residential buildings and car parks at ChangPing District, Beijing and fitting-out works of offices at Jintian Film and Television Industrial Park, Beijing, China. As at the date of this announcement, the Group had contracts on hand with a total contract sum of over HK\$1,424 million.

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

While the outlook for the construction industry in Hong Kong looks promising in the long run, there remain challenges that are unlikely to dissipate in the near future. They include continuous rising labour wages and cost of construction materials and shortage of skilled labour. In addition, the sluggish progress of deliberation in the Legislative Council, which has resulted in the mounting backlog of funding proposals, also delays in the rolling out of public infrastructure works in Hong Kong. The business and profitability of the Group may be affected if such delay continues.

The Group is currently operating in the developed cities in the PRC. Urbanisation of the PRC is expected to continue at a rapid pace, in particular, in the third- and fourth-tier cities in the PRC. With the Group’s long and established experience in the PRC market, the Directors believe that the Group could grasp such opportunities and selectively expand into the third- and fourth-tier cities in the PRC by leveraging on the Group’s established expertise.

Looking forward, the Directors consider that the future opportunities and challenges which the Group faces will be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong is the key driver for the growth of the Hong Kong building services industry.

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

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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

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

Business objective as stated in the Prospectus

Actual business progress up to 31 March 2017

- | | |
|---|---|
| (i) Strengthen the Group's position in the Hong Kong market and the Group's capital base to support more capital intensive projects | The Group continues its effort in identifying suitable business opportunities with potential customers from time to time. The following new contracts were granted during the year: <ul style="list-style-type: none">(i) a contract with a contract sum of HK\$210 million was granted to the Group to act as a main contractor for site formation and foundation works of residential houses at Peak Road, Hong Kong;(ii) several contracts with total contract sum of approximately HK\$57 million were granted to the Group to act as a main contractor for fitting-out works of office and residential houses at Causeway Bay and Central, Hong Kong. |
|---|---|

Business objective as stated in the Prospectus

Actual business progress up to 31 March 2017

(ii) Further expand the Group's business into the PRC

The Group keeps good relationship with its existing customers. More tenders for contracts were made to broaden the Group's customer base. More projects were granted in the PRC during the year including the construction works for Beijing subway Line 1, Beijing, China, subcontracting fitting-out works for re-development of residential buildings and car parks at ChangPing District, Beijing, China and fitting-out works of offices at Jintian Film and Television Industrial Park, Beijing, China.

The Group has also submitted tenders in more locations in the PRC, including Beijing, Shanghai, Shandong, Hebei, Shenzhen, etc.

(iii) Continue to expand the Group's scope of services in building construction works

On 9 December 2014, the Group was approved by the Buildings Department as a Specialist Contractor (site formation). The Group has submitted more tenders for site formation and foundation works during the year.

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

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

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

	Actual net proceeds <i>HK\$ million</i>	Amount utilised up to 31 March 2017 <i>HK\$ million</i>	Balance as at 31 March 2017 <i>HK\$ million</i>
Operation of two existing projects	14.9	14.9	—
General working capital	1.7	1.7	—
Total	<u>16.6</u>	<u>16.6</u>	<u>—</u>

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

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

HUMAN RESOURCES

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

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESSES

During the year, according to the GEM Listing Rules, the following Director has interests in the following businesses which are considered to compete or likely to compete, either directly or indirectly, with the business of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group:

Name of Director	Name of entity which are considered to compete or likely to compete with the business of the Group	Description of business	Nature of interests
Mr. Ong Chi King	Wan Kei Group Holdings Limited	Principally engaged in (i) foundation works; and (ii) ground investigation field works	Independent non-executive director (resigned on 8 March 2017)
	WLS Holdings Limited	Provision of management contracting services, other services for construction and building work	Independent non-executive director (resigned on 29 March 2017)
	KSL Holdings Limited	Provision of engineering consulting, contracting and project management services	Independent non-executive director (resigned on 2 June 2016)

As the Board of Directors of the Company is independent of the boards of the above-mentioned entities and the above Director cannot control the Board of the Company, the Group is therefore capable of carrying its business independently of and at arm's length from the businesses of these entities.

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

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

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

Mr. Ong Chi King

- i) Resigned as an independent non-executive director of Wan Kei Group Holdings Limited (stock code: 1718), a company with its shares listed on the Main Board of the Stock Exchange, on 8 March 2017;
- ii) Resigned as an independent non-executive director of WLS Holdings Limited (stock code: 8021), a company with its shares listed on the GEM of the Stock Exchange, on 29 March 2017;
- iii) Resigned as an independent non-executive director of Capital CV Limited (stock code: 2324), a company with its shares listed in the Main Board of the Stock Exchange, on 31 March 2017.

Mr. Ong King Keung

- i) Appointed as an independent non-executive director of Sunrise (China) Technology Group Limited (stock code: 8226), a company with its shares listed on the GEM of the Stock Exchange, on 28 February 2017;
- ii) Resigned as an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823), a company with its shares listed on the Main Board of the Stock Exchange, on 8 March 2017.
- iii) Appointed as an independent non-executive director of Risecomm Group Holdings Limited (stock code: 1679), a company with its shares listed on the Main Board of the Stock Exchange, on 8 June 2017.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited, as at 31 March 2017, save for the compliance adviser agreement dated 25 December 2014 entered into between the Company and Kingsway Capital Limited, neither Kingsway Capital Limited, its directors, employees nor associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2017.

CONTINUING CONNECTED TRANSACTIONS

Administrative services agreement

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

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

Lease of office in Hong Kong

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

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

Lease of office in Shanghai, the PRC

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

* for identification purpose only

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

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 audit committee has reviewed the Group's annual results for the year ended 31 March 2017.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "AGM") will be held on Tuesday, 15 August 2017. A notice convening the AGM will be published and despatched to the Company's shareholders in the manner required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

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

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2017 (2016: 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 2017 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 2017

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.