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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 2020

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 2020, together with the comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	4	627,526	645,835
Cost of sales		<u>(592,591)</u>	<u>(626,055)</u>
Gross profit		34,935	19,780
Other income and gains	4	2,589	3,397
Fair value gain/(loss) on investment properties		(870)	767
Administrative expenses		(37,648)	(36,939)
Other operating expenses, net		(1,365)	(3,072)
Finance costs	6	<u>(243)</u>	<u>(3,741)</u>
LOSS BEFORE TAX	5	(2,602)	(19,808)
Income tax credit	7	<u>286</u>	<u>86</u>
LOSS FOR THE YEAR		<u>(2,316)</u>	<u>(19,722)</u>
Attributable to:			
Owners of the Company		(3,216)	(14,917)
Non-controlling interests		<u>900</u>	<u>(4,805)</u>
		<u>(2,316)</u>	<u>(19,722)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK(0.32) cent</u>	<u>HK(1.49) cents</u>
Diluted		<u>HK(0.32) cent</u>	<u>HK(1.49) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(2,316)</u>	<u>(19,722)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>379</u>	<u>(551)</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Surplus/(deficit) on revaluation of leasehold land and buildings	<u>(897)</u>	2,750
Income tax effect	<u>148</u>	<u>(454)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>(749)</u>	<u>2,296</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(370)</u>	<u>1,745</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(2,686)</u>	<u>(17,977)</u>
Attributable to:		
Owners of the Company	<u>(4,141)</u>	(13,468)
Non-controlling interests	<u>1,455</u>	<u>(4,509)</u>
	<u>(2,686)</u>	<u>(17,977)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	<i>Notes</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		38,966	22,593
Investment properties		8,250	19,520
Intangible asset		439	—
		<hr/>	<hr/>
Total non-current assets		47,655	42,113
CURRENT ASSETS			
Due from related companies		—	5,902
Loans receivable		3,980	—
Accounts receivable	9	61,945	62,485
Prepayments, deposits and other receivables		35,625	101,472
Contract assets		81,815	79,928
Financial assets at fair value through profit or loss		32,226	21,533
Tax recoverable		25	30
Pledged deposits		17,074	26,328
Cash and cash equivalents		107,689	75,327
		<hr/>	<hr/>
Total current assets		340,379	373,005
CURRENT LIABILITIES			
Accounts payable	10	50,559	33,560
Other payables and accruals		64,432	60,568
Contract liabilities		163,702	173,640
Due to a non-controlling shareholder		1,500	1,500
Due to a related company		—	14
Lease liabilities		618	—
Tax payable		1,909	1,280
Liability component of convertible bonds	11	—	31,346
Interest-bearing bank borrowings		7,132	12,100
		<hr/>	<hr/>
Total current liabilities		289,852	314,008
NET CURRENT ASSETS		<hr/> 50,527 <hr/>	<hr/> 58,997 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 98,182 <hr/>	<hr/> 101,110 <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 March 2020*

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		755	—
Deferred tax liabilities		400	1,397
Total non-current liabilities		1,155	1,397
Net assets		97,027	99,713
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	25,000	25,000
Reserves		81,181	85,322
		106,181	110,322
Non-controlling interests		(9,154)	(10,609)
Total equity		97,027	99,713

NOTES TO FINANCIAL STATEMENTS

31 March 2020

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; (iii) property investment; and (iv) money lending business.

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 2020. 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015–2017 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) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

HKFRS 16 did not have any significant impact on leases where the Group is lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, properties and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to include the right-of-use assets in the balance of property, plant and equipment in the statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impact on transition (continued)

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease; and
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019.

Financial impact at 1 April 2019

The adoption of HKFRS 16 on 1 April 2019 by the Group has given rise to additional lease liabilities of HK\$445,000 at 1 April 2019 with corresponding right-of-use assets of the same amount recognised. The Group's leasehold land previously included in property, plant and equipment of HK\$15,400,000 was reclassified to right-of-use assets included in property, plant and equipment upon initial adoption of HKFRS 16 on 1 April 2019.

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	<i>HK\$'000</i>
Operating lease commitments as at 31 March 2019	3,522
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	<u>(3,066)</u>
	456
Weighted average incremental borrowing rate as at 1 April 2019	<u>4.78%</u>
Lease liabilities as at 1 April 2019	<u><u>445</u></u>

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “**uncertain tax positions**”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The Group considered that the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (2019: three) 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;
- (c) the property investment business segment is engaged in the holding of investment properties; and
- (d) the money lending business.

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 loss before tax except that interest income included in “other income and gains”, fair value change on derivative component of convertible bonds, finance costs, certain impairment of property, plant and equipment 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 2020

	Construction business HK\$'000	Securities investment HK\$'000	Property investment HK\$'000	Money lending business HK\$'000	Total HK\$'000
Segment revenue (note 4)					
Income from external customers	626,366	737	370	53	627,526
Other income and gains	1,019	—	—	—	1,019
	<u>627,385</u>	<u>737</u>	<u>370</u>	<u>53</u>	<u>628,545</u>
Segment results					
Operating profit/(loss)	3,726	737	(850)	(28)	3,585
<i>Reconciliation:</i>					
Interest income					1,570
Impairment of property, plant and equipment					(1,993)
Unallocated expenses					(5,521)
Finance costs					(243)
Loss before tax					<u>(2,602)</u>
Segment assets	191,661	41,405	8,250	4,419	245,735
<i>Reconciliation:</i>					
Corporate and other unallocated assets					142,299
Total assets					<u>388,034</u>
Segment liabilities	281,150	—	215	201	281,566
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					9,441
Total liabilities					<u>291,007</u>
Other segment information:					
Fair value loss on investment properties	—	—	870	—	870
Reversal of impairment of accounts receivable	(219)	—	—	—	(219)
Gain on disposal of subsidiaries	—	—	(216)	—	(216)
Loss on disposal of property, plant and equipment	216	—	—	—	216
Impairment of property, plant and equipment	614	—	—	—	614
Impairment of loans receivable	—	—	—	20	20
Reversal of impairment of other receivables	(21)	—	—	—	(21)
Reversal of impairment of contract assets, net	(1,052)	—	—	—	(1,052)
Depreciation of property, plant and equipment	1,104	—	167	—	1,271
Amortisation	—	—	—	11	11
Capital expenditure attributable to the reportable operating segments*	<u>201</u>	<u>—</u>	<u>—</u>	<u>450</u>	<u>651</u>

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2019

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

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	442,368	479,086
Mainland China	185,158	166,749
	<u>627,526</u>	<u>645,835</u>

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

(b) Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	46,859	42,042
Mainland China	796	71
	<u>47,655</u>	<u>42,113</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\$182,686,000 (2019: HK\$168,640,000) 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 revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Income from the construction contracting and related businesses	626,366	651,102
Revenue from other sources		
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	510	(5,723)
Dividend income from equity investments at fair value through profit or loss	1	2
Interest income on debt investments at fair value through profit or loss	226	—
Interest income on loans receivable	53	—
Gross rental income	370	454
	<u>627,526</u>	<u>645,835</u>

Revenue from contracts with customers

Disaggregated revenue information

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Building construction works	190,072	163,239
Electrical and mechanical engineering (“E&M”) works	104,252	161,570
Fitting-out works	332,042	326,293
	<u>626,366</u>	<u>651,102</u>

Other income and gains

An analysis of other income and gains is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income	1,570	471
Bad debt recovery from a winding-up customer	—	2,528
Government grants*	150	—
Others	869	398
	<u>2,589</u>	<u>3,397</u>

* There are no unfulfilled conditions or contingencies relating to these grants

5. LOSS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of construction contract	592,591	626,055
Depreciation of property, plant and equipment	1,271	811
Amortisation of an intangible asset	11	—
Minimum lease payments under operating leases on land and buildings	—	2,664
Lease payments not included in the measurement of lease liabilities	3,131	—
Impairment of financial and contract assets, net:		
Impairment/(reversal of impairment) of accounts receivable, net (<i>note 9</i>)	(219)	1,190
Impairment of loans receivable	20	—
Reversal of impairment of other receivables, net	(21)	—
Impairment/(reversal of impairment) of contract assets, net	<u>(1,052)</u>	<u>4,334</u>
	<u>(1,272)</u>	<u>5,524</u>
Fair value gain on the derivative component of convertible bonds (<i>note 11</i>)	—	(2,470)
Impairment of items of property, plant and equipment	2,607	—
Gain on disposal of subsidiaries	<u>(216)</u>	<u>—</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	36	—
Interest on interest-bearing bank borrowings	409	521
Interest on convertible bonds (<i>note 11</i>)	172	3,669
Less: Interest capitalised	<u>(374)</u>	<u>(449)</u>
	<u>243</u>	<u>3,741</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year (i) except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019, and the first HK\$2,000,000 (2019: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%; and (ii) 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	277	99
Current — Elsewhere		
Charge for the year	269	—
Deferred	<u>(832)</u>	<u>(185)</u>
Total tax credit for the year	<u><u>(286)</u></u>	<u><u>(86)</u></u>

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

The calculation of the basic loss per share amount is based on the 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 (2019: 1,000,000,000) in issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to owners 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 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. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	(3,216)	(14,917)
Interest on convertible bonds (<i>note 11</i>)	172	3,669
Fair value gain on the derivative component of convertible bonds (<i>note 11</i>)	—	(2,470)
	<u> </u>	<u> </u>
Loss attributable to ordinary equity holders of the Company before the effect of convertible bonds	<u>(3,044)</u>	<u>(13,718)</u>
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic 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**	5,079,452	103,000,000
	<u> </u>	<u> </u>
	<u>1,005,079,452</u>	<u>1,103,000,000</u>

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

** For the years ended 31 March 2020 and 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\$3,216,000 (2019: HK\$14,917,000), and the weighted average number of ordinary shares of 1,000,000,000 (2019: 1,000,000,000) in issue during the year.

9. ACCOUNTS RECEIVABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivable	76,092	77,272
Impairment	(14,147)	(14,787)
	<u> </u>	<u> </u>
	<u>61,945</u>	<u>62,485</u>

9. ACCOUNTS RECEIVABLE (continued)

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. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	54,725	53,793
91 to 180 days	2,458	3,296
181 to 360 days	889	3,299
Over 360 days	3,873	2,097
	<u>61,945</u>	<u>62,485</u>

An impairment analysis is performed at each reporting date using provision matrices 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.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of year	14,787	17,421
Impairment/(reversal of impairment) losses, net (<i>note 5</i>)	(219)	1,190
Amount written off as uncollectible	(11)	(3,315)
Exchange realignment	(410)	(509)
	<u>14,147</u>	<u>14,787</u>

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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	7,245	5,426
91 to 180 days	9,842	10,187
181 to 360 days	15,444	525
Over 360 days	18,028	17,422
	<u>50,559</u>	<u>33,560</u>

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

11. CONVERTIBLE BONDS

On 18 April 2016, the Group issued 2% convertible bonds with a nominal value of HK\$30,900,000. The bonds were 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 was seven days preceding 19 April 2019 on the basis of HK\$0.3 per conversion share, subject to adjustments. Any convertible bonds not converted would be redeemed on 18 April 2019 at the nominal value. The convertible bonds carry interest at a rate of 2% per annum, which was payable annually in arrears on 19 April.

The proceeds from the issuance of the convertible bonds of HK\$30,900,000 were split into liability and derivative components on the issuance date. Upon the issuance of the convertible bonds, the fair value of the derivative component was determined using an option pricing model and this amount was carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds was allocated to the liability component and was carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component was 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 were recognised in profit or loss.

As at 31 March 2019, the fair value of the derivative component was determined based on the valuation performed by Peak Vision Appraisals Limited, an independent qualified professional valuer, using the applicable option pricing model.

11. CONVERTIBLE BONDS (continued)

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

	Liability component <i>HK\$000</i>	Derivative component <i>HK\$000</i>	Total <i>HK\$000</i>
At 1 April 2018	28,295	2,470	30,765
Interest paid	(618)	—	(618)
Interest expense (<i>note 6</i>)	3,669	—	3,669
Fair value adjustment (<i>note 5</i>)	—	(2,470)	(2,470)
	<hr/>	<hr/>	<hr/>
At 31 March 2019 and 1 April 2019	31,346	—	31,346
Interest paid	(618)	—	(618)
Interest expense (<i>note 6</i>)	172	—	172
Redemption	(30,900)	—	(30,900)
	<hr/>	<hr/>	<hr/>
At 31 March 2020	<u>—</u>	<u>—</u>	<u>—</u>

During the year, the convertible bonds were fully redeemed by the Group on 18 April 2019.

12. SHARE CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
4,000,000,000 ordinary shares of HK\$0.025 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.025 each	<u>25,000</u>	<u>25,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group's revenue for the year ended 31 March 2020 (the "**Reporting Period**") recorded at approximately HK\$627,526,000 which represented a decrease of approximately 3% from approximately HK\$645,835,000 for the year ended 31 March 2019. For construction segment, revenue for the year ended 31 March 2020 recorded at approximately HK\$626,366,000 which represented a decrease of 4% from approximately HK\$651,102,000 for the year ended 31 March 2019. For investment in marketable securities segment, revenue for the year ended 31 March 2020 recorded at a gain of approximately HK\$737,000 which represented an increase of 113% from a loss of approximately HK\$5,721,000 for the year ended 31 March 2019. For property investment segment, revenue for the year ended 31 March 2020 recorded at approximately HK\$370,000 which represented a decrease of 19% from approximately HK\$454,000 for the year ended 31 March 2019. For money lending segment, revenue for the year ended 31 March 2020 recorded at approximately HK\$53,000, and nil for the year ended 31 March 2019.

(i) Construction Segment

(a) *Building construction works:*

For the year ended 31 March 2020, revenue recorded at this section amounted to approximately HK\$190,072,000 (2019: HK\$163,239,000). The increase of 16% was mainly due to the additional revenue recognised in the Reporting Period including (i) main contractor works for the residential redevelopment works including E&M works at Peak Road House A, Hong Kong which was commenced in January 2018; (ii) main contractor works for the residential redevelopment works including E&M works at Peak Road House B; and (iii) site formation and foundation works at Peak Road Zone C.

The above increase was partly offset by the decrease in revenue due to near completion of the site formation and foundation works at No. 75 Peak Road and superstructure works at No. 48 Stubbs Road.

(b) E & M works:

For the year ended 31 March 2020, revenue recorded from this section amounted to approximately HK\$104,252,000 (2019: HK\$161,570,000).

The significant decrease by approximately 35% was due to the substantial completion of some projects before 31 March 2019 and therefore less revenue was recognised in this Reporting Period. These projects include: (i) school redevelopment projects at Robinson Road and Breezy Path, Hong Kong; (ii) interior renovation works for Sogo Department Store, Causeway Bay, Hong Kong; and (iii) several fire services contracts including maintenance and repair works for the fire services installations and emergency repair and replacement of existing fire services system.

The above decrease was partly offset by the additional work done during this Reporting Period for the several million-projects for the E&M works.

(c) Interior fitting-out works:

For the year ended 31 March 2020, revenue recorded from this section amounted to approximately HK\$332,042,000 (2019: HK\$326,293,000).

The increase by 2% was mainly due to the commencement of the interior fitting-out works at House A and House C at Stubbs Road, Hong Kong in April 2018 and January 2019, respectively which had generated more revenue in the Reporting Period.

The above increase was partly offset by (i) the interior fitting-out works contract of residential house at Henderson Road, Hong Kong; and (ii) the alteration and addition works including E&M works at Chatham Road North, which were almost completed in March 2019 and not much revenue was recognised in the Reporting Period.

(ii) Investment in Securities Segment

For the year ended 31 March 2020, gain recorded from this segment amounted to approximately HK\$737,000 (2019: loss of HK\$5,721,000).

As at 31 March 2020, the Group managed a portfolio of listed equity investments and unlisted debt investments with an aggregate fair value of approximately HK\$32.2 million (2019: HK\$21.5 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\$4,387,000 (2019: unrealised loss of HK\$5,003,000); (ii) a realised gain of approximately HK\$4,897,000 (2019: realised loss of HK\$720,000); (iii) interest income from the unlisted debt investments of HK\$226,000 (2019: Nil); and (iv) dividend income received from equity investments of approximately HK\$1,000 (2019: HK\$2,000). Details of the marketable securities are disclosed under the sub-section headed “**SIGNIFICANT INVESTMENTS**” in this section.

(iii) Property Investment Segment

For the year ended 31 March 2020, revenue recorded from this segment amounted to approximately HK\$370,000 (2019: HK\$454,000). It was mainly attributable to rental income earned from the investment properties.

In October 2019, the Group entered into a sale and purchase agreement with a third party to dispose of Rosy Beauty Investments Limited and its subsidiary (the “**Disposal Group**”) which are principally engaged in property holding investment for a consideration of HK\$10,600,000. The property is located in Wanchai, Hong Kong with a saleable area of 681 square feet. The Disposal Group was previously acquired in June 2018 at a consideration of HK\$10,300,000. The transaction was completed on 22 November 2019.

(iv) Money Lending Segment

For the year ended 31 March 2020, the Group acquired a money lenders licence in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and commenced its money lending business. During the year, the Group generated approximately HK\$53,000 (2019: Nil) revenue from this segment. The Directors consider it will be beneficial to the Group to explore new opportunities in the money lending business to widen its revenue base and minimise the risks of the Group overall, in order to enhance the capital use of the Group for the interests of the Company and its shareholders.

Due to the (i) the increase in the revenue recorded from the building construction work caused by the main contractor works for one residential redevelopment works including E&M works at Peak Road House A, Hong Kong; (ii) the improvement of the gross profit margin due to (a) loss incurred for the E&M works in the last reporting period; and (b) additional profit deriving from the main contractor contracts for residential houses A and B including E&M works at Peak Road, Hong Kong; and (iii) the increase in gain recorded from the investment in securities segment, the net loss attributable to owners of the Company for this Reporting Period is approximately HK\$3,216,000 as compared with the net loss attributable to owners of the Company which amounted to approximately HK\$14,917,000 for the year ended 31 March 2019.

Basic loss per share is HK0.32 cent (2019: HK1.49 cents) for the year ended 31 March 2020.

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 take various actions to recover the funds/damages. As at the date of this announcement, we are unable to ascertain the recoverability of the funds transferred or damage caused.

The Group will make further announcement when there is any significant development in respect of the matter.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2020, the Group's turnover amounted to approximately HK\$628 million (2019: approximately HK\$646 million), decreased by approximately 3% as compared to the last reporting period. The decrease in turnover was mainly due to the decrease in turnover arising from the projects of the construction business.

Gross profit margin

The Group's gross profit increased significantly by approximately HK\$15.2 million or approximately 77%, from approximately HK\$19.8 million for the year ended 31 March 2019 to approximately HK\$34.9 million for the year ended 31 March 2020. The increase in gross profit was mainly arising from the realised fair value gain on the marketable securities and other investments.

During the year ended 31 March 2020, the gross profit margin was approximately 5.6%, improved by 2.5 percentage points as compared to last year's 3.1%. The improvement of gross profit was mainly due to (i) loss incurred for the E&M works in last reporting period, and (ii) additional profit deriving from the main contractor contracts for residential houses A and B including E&M works at Peak Road, Hong Kong. House B main contract is through working with a reputable contractor company in Hong Kong.

After excluding the portion generating from the investment in marketable securities segment, property investment segment and money lending segment, the gross profit margin for this Reporting Period was approximately 5.4%, increased by 1.6 percentage points as compared to the last period's 3.8%. The significant increase was mainly due to the loss incurred for the E&M section recorded in the last reporting period.

Other income and gains

Other income and gains decreased by approximately HK\$0.8 million or 24% from approximately HK\$3.4 million for the year ended 31 March 2019 to approximately HK\$2.6 million for the year ended 31 March 2020. The decrease was mainly due to a bad debt recovery from a winding up debtor recorded in last reporting period.

Administrative expenses

Administrative expenses increased by approximately HK\$0.7 million or 2% from approximately HK\$36.9 million for the year ended 31 March 2019 to approximately HK\$37.6 million for the year ended 31 March 2020. The slight increase was mainly because of the increase in operating lease rentals for land and buildings.

Other operating expenses, net

Other operating expenses, net decreased by approximately HK\$1.7 million or 56% from approximately HK\$3.1 million for the year ended 31 March 2019 to approximately HK\$1.4 million for the year ended 31 March 2020.

Finance costs

Finance costs decreased by approximately HK\$3.5 million or 94% from approximately HK\$3.7 million for the year ended 31 March 2019 to approximately HK\$0.2 million for the year ended 31 March 2020. The decrease was mainly due to the maturity of the convertible bonds in April 2019.

Liquidity and financial resources

The Group continued to maintain a suitable liquid position. As at 31 March 2020, the Group had cash and cash equivalents of approximately HK\$107,689,000 (2019: HK\$75,327,000) which are mainly denominated in Hong Kong dollar and Renminbi. As at 31 March 2020, the Group had total assets of approximately HK\$388,034,000 (2019: HK\$415,118,000). The Group's current ratio at 31 March 2020 was approximately 1.17 (2019: 1.19).

As at 31 March 2020, the gearing ratio for the Group is approximately 1% (2019: 1%). It was calculated based on the non-current liabilities of approximately HK\$1,155,000 (2019: HK\$1,397,000) and long term capital (equity and non-current liabilities) of approximately HK\$98,182,000 (2019: HK\$101,110,000).

Capital expenditure

Total capital expenditure for the Reporting Period was approximately HK\$20,151,000 (2019: HK\$18,937,000), which was mainly used in the purchase of items of property, plant and equipment, and an intangible asset.

Contingent liabilities

At the end of the Reporting Period, the Group had no significant contingent liabilities.

Commitments

At the end of the Reporting Period, there were no significant capital commitments for the Group.

Charges on group assets

Assets with a carrying value of approximately HK\$37,174,000 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 dollar, 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 2020.

PROSPECTS

(i) Construction Business

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

With its proven track records and adequate expertise in the main contracting business, the Group was included in Building Category Group C of the “List of Approved Contractors for Public Works”, and Turn-key Interior Design and Fitting-out Works Category Group II of the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” under Development Bureau of Hong Kong Special Administrative Region (the “HKSAR”); the Registered General Building Contractor, the Minor Works Class I Contractor, the Registered Specialist Contractor (Site Formation Works and Foundation Works Categories) under the Buildings Department.

In the E&M works, the Group was included in 11 categories of the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” under Development Bureau of the Government of the HKSAR; and the Registered Specialist Contractor (Ventilation) and Minor Works Class III Type E Contractor under Building Department.

The Group is able to take an active part in the construction business development.

During the Reporting Period, new projects such as demolition and foundation works main contract of a residential house at Bowen Road, quadrennial term contract for maintenance of fire services installations for Drainage Services Department, electrical and fire services installations for construction of two 30-classroom primary schools at Queen's Hill, Fanling, triennial term contract for operation and maintenance of air-conditioning installations at Attended Municipal Venues, mechanical ventilation and air conditioning installation works nominated sub-contract for The Proposed Residential & Commercial Development at No. 33-47 Catchick Street, and replacement of fire services system at Cheung Tsing Tunnel, in Hong Kong Region were secured. As at the date of this announcement, the Group had contracts on hand with a total contract sum of over HK\$1,619 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. The overall building and construction expenditure maintained its uptrend which was contributed by the growth in private building and construction position in Hong Kong to capture more sizeable and profitable projects as well as to further diversify the customer base by bidding works from more private residential developers.

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

(ii) Investment in Securities Business

Regarding the 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 at least two directors, including at least one executive director who acts as the investment manager). The Board has adopted 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 October 2019, the Group has entered into another sale and purchase agreement with a third party to dispose of the entire share capital of the Disposal Group which is principally engaged in property holding investment for a consideration of HK\$10,600,000. The property is located in Wanchai, Hong Kong with a saleable area of 681 square feet. The Disposal Group was previously acquired in June 2018 at a consideration of HK\$10,300,000. The transaction was completed on 22 November 2019.

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

(iv) Money Lending Business

For the year ended 31 March 2020, the Group acquired a money lenders licence in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and commenced its money lending business. The Directors consider it will be beneficial to the Group to explore new opportunities in the money lending business to widen its revenue base and minimise the risks of the Group overall, in order to enhance the capital use of the Group for the interests of the Company and its shareholders.

SIGNIFICANT INVESTMENTS

As at 31 March 2020, the Group held approximately HK\$32 million financial assets at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock code/ ISIN 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 %
Listed equity investments							
Hands Form Holdings Limited	1	1920	Cayman Islands	(1,471.2)	3,224.6	10.0	3.32
China Apex Group Limited	2	2011	Cayman Islands	115.1	2,010.0	6.2	2.07
EJE (Hong Kong) Holdings Limited	3	8101	Cayman Islands	(1,079.6)	3,472.8	10.8	3.58
Eternity Technology Holdings Limited	4	1725	Cayman Islands	48.9	2,566.8	8.0	2.65
C-Link Squared Limited	5	1463	Cayman Islands	730.9	2,810.5	8.7	2.90
Hong Kong Education (Int'l) Investments Limited	6	1082	Incorporated in the Cayman Islands and continued in Bermuda	(83.1)	4,950.0	15.4	5.10
Ban Loong Holdings Limited	7	30	Bermuda	(767.3)	2,040.0	6.3	2.10
JY Grandmark Holdings Limited	8	2231	Cayman Islands	(127.1)	1,156.0	3.6	1.19
Individual investments representing less than 1% of net assets of the Group				(868.9)	2,931.3	9.1	3.02
				<u>(3,502.3)</u>	<u>25,162.0</u>	<u>78.1</u>	<u>25.93</u>
Unlisted debt investments							
JPMorgan Asian Total Return Bond (Mth)	9	HK0000102936	Hong Kong	(426.6)	3,573.4	11.1	3.68
AB FCP I — American Income Portfolio (At USD)	10	LU0157308031	Luxembourg	(458.0)	3,491.1	10.8	3.60
				<u>(884.6)</u>	<u>7,064.5</u>	<u>21.9</u>	<u>7.28</u>
				<u>(4,386.9)</u>	<u>32,226.5</u>	<u>100.0</u>	<u>33.21</u>

Notes:

1. Hands Form Holdings Limited is principally engaged in provision of wet trades works (including plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works) and other wet trades related ancillary 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\$221,437,000 as at 31 December 2019.
2. China Apex Group Limited is principally engaged in manufacture and sale of zippers, sliders and other related products. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$239,296,000 as at 31 December 2019.
3. EJE (Hong Kong) Holdings Limited is principally engaged in (i) manufacture of custom-made furniture; (ii) property investment; (iii) securities investment; (iv) money lending; and (v) the design, manufacture and sale of mattress and soft bed products. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$279,813,000 as at 30 September 2019.
4. Eternity Technology Holdings Limited is principally engaged in the business of electronics 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 RMB236,181,000 as at 31 December 2019.
5. C-Link Squared Limited is principally engaged in the provision of outsourced document management services and related software applications and enterprise software solutions in Malaysia and Singapore. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately RM47,992,000 as at 31 December 2019.
6. Hong Kong Education (Int'l) Investments Limited is principally engaged in the provision of private educational services, investment in securities and money lending business. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$182,827,000 as at 31 December 2019.
7. Ban Loong Holdings Limited is principally engaged in money lending business and trading of goods and commodities. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$776,107,000 as at 30 September 2019.
8. JY Grandmark Holdings Limited is principally engaged in property development and sales, commercial property investment, hotel operations and property management. According to its latest published financial statements, it had a net asset value of approximately RMB2,819,409,000 as at 31 December 2019.

9. The investment objective of the fund is to achieve a competitive total return, consisting of capital growth and regular dividend income, through an actively managed portfolio investing primarily in Asian bonds and other debt securities.
10. The portfolio seeks to provide a high level of current income consistent with preservation of capital by investing in a diversified portfolio of U.S. dollar-denominated fixed income securities. The portfolio invests solely in U.S. dollar-denominated fixed income securities, including investment grade and high yield, non-investment grade securities of issuers domiciled within and outside the U.S.

During the year ended 31 March 2020, the Group disposed of certain investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$48.4 million, giving rise to a net gain of approximately HK\$4.9 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/(loss) HK\$'000
Shun Wo Group Holdings Limited	1591	Cayman Islands	1,625	(669.6)
Central Holding Group Company Limited	1735	Cayman Islands	7,224	(1,233.6)
EJE (Hong Kong) Holdings Limited	8101	Cayman Islands	5,068	(836.2)
Sprocomm Intelligence Limited	1401	Cayman Islands	3,797	908.3
Ruicheng (China) Media Group Limited	1640	Cayman Islands	3,473	776.0
Eternity Technology Holdings Limited	1725	Cayman Islands	4,945	1,835.0
Sunlight (1977) Holdings Limited	8451	Cayman Islands	838	556.7
Orange Tour Cultural Holdings Limited	8627	Cayman Islands	5,037	4,134.4
Investments with individual realised gain/(loss) of less than HK\$500,000			16,354	(574.5)
			48,361	4,896.5

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group did not have other plans for material investment or capital assets as at 31 March 2020.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the disposal of the Disposal Group which holding an investment property under the sub-section headed “**Prospects**” in this section, the Group did not have any other significant investment, material acquisition or disposal during the year.

HUMAN RESOURCES

As at 31 March 2020, the Group had 87 employees, 27 of whom were based in the PRC. The total employee benefit expenses including directors’ emoluments for the year ended 31 March 2020 amounted to approximately HK\$34.0 million as compared to approximately HK\$34.2 million for the year ended 31 March 2019. The decrease was mainly due to decrease in the number of employees 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

The outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) since early 2020 has continued in China and countries across the world. The Group will monitor the developments of the outbreak of COVID-19 closely, and will assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment has still been in progress. Given the dynamic nature of these circumstances, the related impact on the Group’s consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and this will be disclosed in the Group’s 2020 interim and next annual financial statements.

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 2020.

CONTINUING CONNECTED TRANSACTIONS

Administrative services agreement

On 1 April 2017, Grand On Enterprise Limited (“**Grand On**”), a wholly-owned indirect subsidiary of Deson Development Holdings Limited (“**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 ended 31 March 2020 did not 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 ended 31 March 2020 did not 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.

CONNECTED TRANSACTION

On 23 November 2017 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 Deson Development International Holdings Limited (“**DDIHL**”), have entered into a fitting-out services agreement (“**Agreement**”), 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 fee 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 of the Agreement are set out in the announcement of the Company dated 23 November 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules as its own corporate governance code since the listing date of the Company. 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 2020 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. Lam Wai Hung, Mr. Wong Yuk Lun Alan and Ms. Au Shui Ming Anna. The audit committee has reviewed the Group's annual results for the year ended 31 March 2020.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "AGM") will be held on Thursday, 20 August 2020. A notice convening the AGM will be published and despatched to the Company's shareholders in the manner required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on 20 August 2020. 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 17 August 2020 to 20 August 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 14 August 2020.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2020 (2019: 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 2020 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
Hung Kenneth
Executive Director

Hong Kong, 22 June 2020

As at the date of this announcement, the Board comprises Mr. Hung Kenneth and Ms. Lau Po Yee as executive directors of the Company; Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna as independent non-executive directors of the Company.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, 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.

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 Company's website at www.deson-c.com.