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迪臣建設國際集團有限公司
Deson Construction International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8268)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

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 2016, together with the comparative figures for the year ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
REVENUE	4	812,470	750,075
Cost of sales		<u>(765,653)</u>	<u>(707,288)</u>
Gross profit		46,817	42,787
Other income and gains	4	2,475	5,077
Fair value gain/(loss) on investment properties		(420)	875
Administrative expenses		(32,989)	(49,919)
Other operating income/(expenses), net		(3,911)	336
Finance costs	6	<u>(467)</u>	<u>(492)</u>
PROFIT/(LOSS) BEFORE TAX	5	11,505	(1,336)
Income tax credit/(expense)	7	<u>840</u>	<u>(3,447)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>12,345</u>	<u>(4,783)</u>
Attributable to:			
Owners of the Company		10,856	(3,977)
Non-controlling interests		<u>1,489</u>	<u>(806)</u>
		<u>12,345</u>	<u>(4,783)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		(Restated)
Basic		<u>HK1.09 cent</u>	<u>HK(0.40) cent</u>
Diluted		<u>HK1.09 cent</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 March 2016*

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>12,345</u>	<u>(4,783)</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>(1,248)</u>	<u>(285)</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	(757)	9,411
Income tax effect	<u>125</u>	<u>(1,553)</u>
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	<u>(632)</u>	<u>7,858</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(1,880)</u>	<u>7,573</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>10,465</u>	<u>2,790</u>
Attributable to:		
Owners of the Company	9,179	3,647
Non-controlling interests	<u>1,286</u>	<u>(857)</u>
	<u>10,465</u>	<u>2,790</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		17,634	19,159
Investment properties		10,860	11,656
Total non-current assets		28,494	30,815
CURRENT ASSETS			
Gross amount due from contract customers		30,011	25,304
Due from related companies		5,894	6,196
Due from fellow subsidiaries		27	28
Accounts receivable	10	100,878	54,626
Prepayments, deposits and other receivables		23,195	13,467
Equity investments at fair value through profit or loss		8,124	—
Tax recoverable		2,490	—
Pledged deposits		29,727	29,674
Cash and cash equivalents		39,068	30,812
Total current assets		239,414	160,107
CURRENT LIABILITIES			
Gross amount due to contract customers		114,914	88,455
Accounts payable	11	32,905	18,994
Other payables and accruals		47,857	25,806
Amount due to a non-controlling shareholder		1,500	1,500
Amounts due to fellow subsidiaries		14	30
Tax payable		535	2,083
Interest-bearing bank borrowings		31,510	20,761
Total current liabilities		229,235	157,629
NET CURRENT ASSETS		10,179	2,478
TOTAL ASSETS LESS CURRENT LIABILITIES		38,673	33,293
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,767	5,035
Net assets		35,906	28,258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 March 2016*

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	25,000	20,000
Reserves		4,654	3,292
		<hr/>	<hr/>
		29,654	23,292
Non-controlling interests		6,252	4,966
		<hr/>	<hr/>
Total equity		35,906	28,258
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 March 2016

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 business.

As set out in the section headed “History, Reorganisation and Corporate Structure” in the prospectus (the “**Prospectus**”) of the Company dated 24 December 2014, the Company became the holding company of the companies now comprising the Group on 16 December 2014.

In the opinion of the directors of the Company, Deson Development Holdings Limited, a company incorporated in the British Virgin Islands (“**BVI**”), is 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 (the “**Stock Exchange**”), is the ultimate holding company of the Company.

2.1 BASIS OF PREPARATION

These 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 at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
 - *HKFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
 - *HKAS 16 Property, Plant and Equipment* and *HKAS 38 Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
 - *HKAS 24 Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
- **HKFRS 3 *Business Combinations***: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
 - **HKFRS 13 *Fair Value Measurement***: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
 - **HKAS 40 *Investment Property***: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment property during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the GEM Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purpose, the Group has only one reportable operating segment which is the construction contracting and related business. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) *Revenue from external customers*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	544,723	583,618
Mainland China	248,219	164,299
Macau	19,528	2,158
	<u>812,470</u>	<u>750,075</u>

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	17,550	19,034
Mainland China	10,944	11,781
	<u>28,494</u>	<u>30,815</u>

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

Information about a major customer

During the year, revenue of approximately HK\$125,000,000 (2015: HK\$191,203,000) 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 construction contracting and related business.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Income from construction contracting and related business	<u>812,470</u>	<u>750,075</u>
Other income and gains		
Bank interest income	255	299
Management fee income	—	213
Gross rental income	484	879
Fair value gain on equity investments at fair value through profit or loss	724	—
Gain on disposal of equity investments at fair value through profit or loss	70	—
Others	942	3,686
	<u>2,475</u>	<u>5,077</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of construction contracting	765,653	707,288
Auditors' remuneration	1,160	2,110
Depreciation	830	2,675
Minimum lease payments under operating leases on land and buildings	2,572	1,508
Loss on disposal of items of property, plant and equipment [^]	21	309
Rental income on investment properties	(484)	(675)
Less: outgoings	34	35
Rental income	(450)	(640)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	29,551	32,771
Equity-settled share option expense	1,183	—
Pension scheme contributions*	831	1,019
Less: Amount capitalised	(12,909)	(10,759)
	18,656	23,031
Listing and related expenses (2015: including HK\$1,000,000 included in "Auditors' remuneration" above)	—	12,621
Foreign exchange differences, net [^]	(13)	(20)
Impairment of accounts receivable [^]	3,903	—
Reversal of unclaimed liabilities	—	(2,460)
Reversal of impairment of other receivables [^]	—	(625)

* At 31 March 2016, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2015: Nil).

[^] These amounts are included in "Other operating income/(expenses), net" on the face of the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank and other borrowings	1,394	2,123
Less: Interest capitalised	(927)	(1,631)
	467	492

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 year 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	—	2,144
Under/(over)provision in prior years	369	(32)
Current — Elsewhere		
Charge for the year	872	916
Underprovision in prior years	—	194
Deferred	(2,081)	225
	<hr/>	<hr/>
Total tax charge/(credit) for the year	(840)	3,447
	<hr/> <hr/>	<hr/> <hr/>

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (2015 (restated): 1,000,000,000) in issue during the year, after taking into account (i) the subdivision of shares which was effective from 4 June 2015 and as if the subdivision of shares had been effective since 1 April 2014; (ii) the issue of bonus shares by the Company on 29 September 2015 on the basis of one bonus share for every four ordinary shares at a par value of HK\$0.025 each to shareholders whose name appeared on the register of members on 25 September 2015. The number of shares before the issue of bonus shares was restated as if they had been effective since 1 April 2014.

The calculation of diluted earnings per share amount for the year ended 31 March 2016 is based on the profit for the year attributable to ordinary equity holders of the Company. 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.

	Number of shares	
	2016	2015
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	—
	<hr/>	<hr/>
	1,000,020,502	1,000,000,000
	<hr/> <hr/>	<hr/> <hr/>

No adjustment has been made to the basic loss per share amount presented for year ended 31 March 2015 in respect of a dilution as the Group had no potential dilutive ordinary share in issue during that year.

9. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
First special interim (<i>note (a)</i>)	—	200,000
Second special interim (<i>note (b)</i>)	—	35,000
Proposed final — Nil (2015: HK0.5 cent per Subdivided Share) (<i>note (c)</i>)	—	4,000
	<u>—</u>	<u>239,000</u>

Notes:

- (a) In the prior year, on 4 December 2014, a subsidiary of the Group declared and paid a dividend of HK\$200,000,000 to the former immediate holding company (before the Reorganisation) pursuant to the Reorganisation as set out in note 12 (ii) to the Section of Annual Results of the Group above.
- (b) In the prior year, on 16 December 2014, the Company declared and paid a dividend of HK\$35,000,000 to the former immediate holding company (before the Reorganisation) pursuant to the Reorganisation as set out in note 12(ii) to Section of Annual Results of the Group above.
- (c) In the prior year, on 8 May 2015, the board of directors of the Company proposed a share subdivision 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 share (“**Subdivided Share(s)**”). The share subdivision 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 (“**Share Subdivision**”).

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2016 (2015: HK0.5 cent per share).

10. ACCOUNTS RECEIVABLE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accounts receivable	66,504	44,743
Impairment	(8,276)	(4,373)
	<u>58,228</u>	<u>40,370</u>
Retention monies receivable	42,650	14,256
	<u>100,878</u>	<u>54,626</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.

10. ACCOUNTS RECEIVABLE (continued)

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current to 90 days	51,631	35,941
91 to 180 days	4,548	2,191
181 to 360 days	403	1,172
Over 360 days	1,646	1,066
	<hr/>	<hr/>
Retention monies receivable	58,228	40,370
	42,650	14,256
	<hr/>	<hr/>
Total	<u>100,878</u>	<u>54,626</u>

11. 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current to 90 days	30,144	13,536
91 to 180 days	1,082	1,562
Over 360 days	1,679	3,896
	<hr/>	<hr/>
	<u>32,905</u>	<u>18,994</u>

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

12. SHARE CAPITAL

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Authorised:		
4,000,000,000 (2015: 2,000,000,000) ordinary shares of HK\$0.025 (2015: HK\$0.05) each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,000,000,000 (2015: 400,000,000) ordinary shares of HK\$0.025 (2015: HK\$0.05) each	<u>25,000</u>	<u>20,000</u>

12. SHARE CAPITAL (continued)

A summary of the transactions during the current and prior years with reference to the movements in the Company's issued ordinary share capital is as follows:

	Notes	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
On incorporation	(i)	1	—	—	—
Subdivision of shares	(ii)	1	—	—	—
Allotment of shares	(ii)	349,999,998	17,500	—	17,500
Placing of shares	(iii)	50,000,000	2,500	16,750	19,250
Share issue expenses	(iii)	—	—	(2,369)	(2,369)
At 31 March 2015 and 1 April 2015		400,000,000	20,000	14,381	34,381
Subdivision of shares	(iv)	400,000,000	—	—	—
Issue of bonus shares	(v)	200,000,000	5,000	(5,000)	—
At 31 March 2016		<u>1,000,000,000</u>	<u>25,000</u>	<u>9,381</u>	<u>34,381</u>

Notes:

- (i) The Company was incorporated on 18 July 2014 with an initial authorised share capital of HK\$390,000 divided into 3,900,000 shares of a par value of HK\$0.1 each. On the date of incorporation, 1 ordinary share of HK\$0.1 was issued and allotted by the Company to its then shareholder.
- (ii) Pursuant to the reorganisation (the “**Reorganisation**”) of the Company in connection with the listing of the shares of the Company on the Growth Enterprise Market (“**GEM**”) of the Stock Exchange, on 16 December 2014, written resolution of the then sole shareholder of the Company was passed pursuant to which (a) the Company underwent a subdivision of shares whereby each of the existing issued and unissued ordinary share of par value HK\$0.10 was subdivided into two ordinary shares of par value HK\$0.05 each, such that after the subdivision, the authorised share capital of the Company became HK\$0.10 divided into two shares of par value HK\$0.05 each; (b) the authorised share capital of the Company was increased from HK\$390,000 divided into 7,800,000 shares of par value HK\$0.05 to the aggregate of HK\$100,000,000 divided into 2,000,000,000 shares of par value HK\$0.05 each by creation of 1,992,200,000 ordinary shares of HK\$0.05 each; and (c) the allotment of 315,349,998 ordinary shares of HK\$0.05 each to Deson Development Holdings Limited, the immediate holding company of the Company, and 34,650,000 ordinary shares of HK\$0.05 each to Huge Energy Holdings Limited as a result of the Reorganisation.
- (iii) 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 of the Company dated 24 December 2014 (the “**Prospectus**”)), the proceeds from the placing received by the Company were HK\$19,250,000 (before share issue expenses of HK\$2,369,000), representing the par value of the shares of the Company of HK\$2,500,000 which were credited to the Company's share capital and the remaining proceeds of HK\$16,750,000 (before share issue expenses of HK\$2,369,000), which were credited to the Company's share premium account.
- (iv) 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.

12. SHARE CAPITAL (continued)

Notes: (continued)

- (v) 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 name appeared on the register of members on 25 September 2015. The issue of bonus shares was approved upon 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.

13. EVENT AFTER THE REPORTING PERIOD

On 29 March 2016, the Company entered into a placing agreement with Koala Securities Limited (the “**Placing Agent**”) pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, certain convertible bonds (the “**Convertible Bonds**”) with principal amounts aggregating up to HK\$30,900,000 to not less than six places at an initial conversion price of HK\$0.30 per Conversion Share (the “**Placing**”).

On 18 April 2016, the Convertible Bonds in the aggregate principal amount of HK\$30,900,000 have been successfully placed to six places. The net proceeds from the Placing are approximately HK\$29,720,000. The Placing has had no financial impact on the Group in the current year.

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. 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.

The Group's turnover for the year ended 31 March 2016 recorded at approximately HK\$812,470,000 which represented an increase of approximately 8% from approximately HK\$750,075,000 for the year ended 31 March 2015.

(i) Building construction works:

For the year ended 31 March 2016, revenue recorded from this section amounted to approximately HK\$259,319,000 (2015: HK\$294,577,000). The decrease by approximately 12% was because certain projects were nearly completed as at 31 March 2015, and only a small amount of variation orders were recognised as revenue for those projects for the year ended 31 March 2016. These contracts included the design and building foundation works for residential houses at Stubbs Road, Hong Kong, superstructure works for residential houses at Stubbs Road, Hong Kong and alteration and addition works for residential development at South Bay Road, Hong Kong.

(ii) Electrical and mechanical engineering works:

For the year ended 31 March 2016, revenue recorded from this section amounted to approximately HK\$208,643,000 (2015: HK\$198,215,000). The increase by approximately 5% was mainly due to certain new projects were granted in late 2014 or early 2015 and not much revenue was recognised for the year ended 31 March 2015. These projects include building services installation for the construction of two 30-classroom primary schools at Kai Tak Development, Kowloon for the Government of the HKSAR, air-conditioning mechanical ventilation and electrical installation for the extension of PRC Ministry of Foreign Affairs Building at Borrett Road, Hong Kong, term contract for building services works at Sogo Department Store, Causeway Bay, Hong Kong, triennial term contract for the maintenance and repair of, alterations and additions to, fire service installations in General Engineering Services Division Venues in Hong Kong and Islands for the Government of the HKSAR, triennial term contract for the maintenance and repair of, alterations and additions to, fire services installations on Hong Kong and outlying islands for the Government of the HKSAR, triennial term contract for the maintenance and repair of, alterations and additions to, fire service installations in Venues of Hong Kong Police Force, Correctional Services Department and Independent Commission Against Corruption and Security Bureau in Kowloon and New Territories.

(iii) Fitting-out works:

For the year ended 31 March 2016, revenue recorded from this section amounted to approximately HK\$344,508,000 (2015: HK\$257,283,000). The increase by approximately 34% was mainly attributable to the addition contracts granted in the PRC during the year. These contracts included fitting-out works of an office in Shenzhen, the PRC, addition and alteration works of a hospital in Beijing, the PRC, fitting-out works, air conditioning and ventilation works,

plumbing and drainage works, floor heating works and electrical works for a staff social centre in Suning, Hebei, the PRC, fitting-out works of a residential building in Jinan, Shandong, the PRC and the fitting-out works for a hotel in Beijing, the PRC.

Due to increase in revenue generated from the Group's provision of electrical and mechanical engineering works and alterations, additions, renovations, refurbishment and fitting-out works for the year ended 31 March 2016 as compared with that for the year ended 31 March 2015 and the absence of non-recurring listing expenses of approximately HK\$12,600,000 incurred in relation to the listing of the Company's shares on GEM last year, the net profit attributable to owners of the Company amounted to approximately HK\$10,856,000 as compared with the net loss attributable to owners of the Company amounted to approximately HK\$3,977,000 for the year ended 31 March 2015. Basic earnings per share is HK1.09 cent for the year ended 31 March 2016.

During the year ended 31 March 2016, the Group completed or substantially completed a number of projects such as the fitting-out works for residential house at South Bay Road, Hong Kong, sub-contract for the mechanical ventilation air conditioning services for the proposed student halls VII & IX development at Clear Water Bay for the Hong Kong University of Science and Technology, provided electrical installation for residential building at Kwai Fong Street, Happy Valley, Hong Kong, building services installation for the construction of two 30-classroom primary schools at Kai Tak Development, Kowloon, carried out fitting-outs works for Prada shop at Causeway Bay, Hong Kong, and for Miu Miu shop and Prada shop in Beijing.

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 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 application for additional licences, permits or qualifications which may be required and (ii) exercise more caution when tendering new construction contracts and continue to selectively undertake new contracts.

During the year ended 31 March 2016, the Company intends to develop a new business section, which includes 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 is financed by internal resources and banking facilities of the Company. The Directors consider the development of the New Business will enable the Company to diversify its business and broaden its revenue base and is in the interest of the Company and its shareholders as a whole. Sales proceeds generated from the New Business for the year ended 31 March 2016 amounted to approximately HK\$2.5 million and income from the New Business recognised in other income for the amount of HK\$70,000.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2016, the Group's turnover amounted to approximately HK\$812 million, increased by approximately 8% as compared to last year. The increase in turnover was mainly due to the (i) increase in turnover of fitting-out section as more contracts were granted during the year in the PRC; (ii) increase in turnover from new E&M projects granted in late 2014 and early 2015; and (iii) the new fitting-out works contracts for new shops of luxury brand in Macau.

Gross profit margin

The Group's gross profit increased by approximately HK\$4 million or 9%, from approximately HK\$43 million for the year ended 31 March 2015 to approximately HK\$47 million for the year ended 31 March 2016. During the year ended 31 March 2016, the gross profit margin was approximately 6%, which is similar as last year.

Other income

Other income decreased by approximately HK\$3 million from approximately HK\$5 million for the year ended 31 March 2015 to approximately HK\$2 million for the year ended 31 March 2016. The decrease was mainly because (1) the decrease in reversal of accrued charge (2015: HK\$2.5 million); and (2) the decrease in rental income as a result of the transfer of Kwun Tong office to Deson Development International Holdings Limited and its subsidiaries (other than the Group) ("Remaining Group") in November 2014.

Administrative Expenses

Administrative expenses decreased by approximately HK\$17 million or 34% from approximately HK\$50 million for the year ended 31 March 2015 to approximately HK\$33 million for the year ended 31 March 2016. Such decrease was the combined result of (1) the one-off listing expenses of approximately HK\$12.6 million was incurred in last year for the listing of the Company's shares on the GEM on 8 January 2015; and (2) the decrease in staff costs by approximately HK\$3 million after the transfer of those staff not related to the construction business to the Remaining Group after the spin-off of the Group from the Remaining Group.

Liquidity and financial resources

As at 31 March 2016, the Group had total assets of HK\$267,908,000, which is financed by total liabilities, shareholders' equity and non-controlling interests of HK\$232,002,000, HK\$29,654,000 and HK\$6,252,000, respectively. The Group's current ratio at 31 March 2016 was 1.04 compared to 1.02 at 31 March 2015.

The gearing ratio for the Group is 7% (31 March 2015: 15%). It was calculated based on the non-current liabilities of HK\$2,767,000 (31 March 2015: HK\$5,035,000) and long term capital (equity and non-current liabilities) of HK\$38,673,000 (31 March 2015: HK\$33,293,000).

Capital expenditure

Total capital expenditure for the year ended 31 March 2016 was approximately HK\$98,000, which was mainly used in the purchase of items of property, plant and equipment.

Contingent liabilities

At the end of the reporting date, there were no significant contingent liabilities for the Group.

Commitments

At the end of the reporting date, there were no significant capital commitments for the Group.

Charges on group assets

Assets with a carrying value of HK\$45,727,000 were pledged as securities 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 arise.

Capital structure of the Group

Details of the movements in the Company's share capital are set out in note 12 to the section of Annual Results of the Group above.

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", enables the Group to take an active part in the construction business development.

During the year, new projects such as acting as main contractor for the development of one residential house and associated external works including construction of sub-structure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong, fitting-out works including E&M works for three Prada/Miu Miu shops at Wynn Palace, Macau, fitting-out works including E&M works for three Prada/Miu Miu shops at City of Dreams, Macau, fitting-out works including E&M works at Purves Road, Hong Kong, fire services and MVAC installation of Multimedia Production And Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong, building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Kowloon, supply and installation of fire services for redevelopment of Methodist International Church Hong Kong at Queen's Road East, Hong Kong, building services installation (electrical, MVAC, fire service and plumbing) of 36-classroom at a primary school in Area 36, Fanling, New Territories, addition and alteration works and fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Kowloon, addition and alteration works at East-Point Centre, Causeway Bay, Hong Kong, fitting-out works of an office in Shenzhen, the PRC, 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, the fitting-out works for a hotel in Beijing, the PRC and addition and alteration works of a hospital in Beijing, the PRC. As at the date of this announcement, the Group had contracts on hand with a total contract sum of over HK\$1,678 million.

Revenue to be recognised for certain new projects during the year, included main contractor for development of eight residential houses, clubhouses and associated external works including site formation, construction of sub-structure and superstructure works, building services and interior fitting-out work at Pik Sha Road, Sai Kung, Hong Kong, main contractor for development of a 12-storey residential building including construction of sub-structure, superstructure, building services and interior fitting-out works at Stubbs Road, Hong Kong and main contractor for development of one residential house and associated external works including construction of sub-structure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong.

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

While the outlook for the construction industry in Hong Kong looks promising in the long run, there remain challenges that are unlikely to dissipate in the near future. They include continuously 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 leveraging on the Group's established expertise.

Regarding the New Business in investments in securities, the Group has set up a Treasury Management Committee ("**Treasury Management Committee**") to implement on the Company'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 an 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, 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 2016
(i) Strengthen the Group's position in the Hong Kong market and the Group's capital base to support more capital intensive projects	<p>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:</p> <ul style="list-style-type: none">(i) contract with a contract sum of HK\$37 million was granted to the Group to act as a 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.(ii) contract with a contract sum amount HK\$41 million was granted to the Group to perform addition and alteration works and fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Kowloon.
(ii) Further expand the Group's business into the PRC	<p>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 residential buildings, staff social centre, office buildings, hotel, etc.</p> <p>The Group has also made tenders in more locations in the PRC, including Beijing, Shanghai, Shandong, Hebei, Shenzhen, etc.</p>
(iii) Continue to expand the Group's scope of services in building construction works	<p>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.</p>

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 any related expenses). As at 31 March 2016, the unused proceeds of approximately HK\$1.1 million were deposited into licensed banks in Hong Kong.

As at 31 March 2016, the net proceeds had been utilised as follows:

	Actual net proceeds HK\$ million	Amount utilised up to 31 March 2016 HK\$ million	Balance as at 31 March 2016 HK\$ million
Operation of two existing projects	14.9	14.3	0.6
General working capital	1.7	1.2	0.5
Total	<u>16.6</u>	<u>15.5</u>	<u>1.1</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 2016.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2016, there was no significant investment held, no material acquisition, disposal of subsidiaries and affiliated companies by the Group.

EVENT AFTER REPORTING PERIOD

Details of event after reporting period are set out in note 13 to the Section of Annual Results of the Group above.

HUMAN RESOURCES

As at 31 March 2016, the Group had 130 employees, 54 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the year ended 31 March 2016 amounted to HK\$32 million as compared to HK\$34 million for the year ended 31 March 2015, the decrease is mainly due to the transfer of those staff not related to the construction business to Remaining Group after the spin-off of the Group from the Remaining Group.

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 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
	WLS Holdings Limited	Provision of management contracting services, other services for construction and building work	Independent non-executive director
	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 is the change in the information of the Directors since the third quarterly report of the Company dated 5 February 2016, which is required to be disclosed pursuant to the Rule 17.50A(1) of the GEM Listing Rules:

Mr. Ong Chi King

Resigned as an independent non-executive Director of KSL Holdings Limited (stock code: 8170), a company with its shares listed on the GEM of the Stock Exchange, on 2 June 2016.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited, as at 31 March 2016, 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 and 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 2016.

CONTINUING CONNECTED TRANSACTIONS

Administrative Services Agreement

On 16 December 2014, Grand On Enterprise Limited ("**Grand On**"), a wholly-owned indirect subsidiary of Deson Development Holdings Limited, which is a 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 and 2016 and the financial year ending 31 March 2017 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 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 and 2016 and the financial year ending 31 March 2017 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 DDIHL, 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 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 and 2016 and the financial year ending 31 March 2017.

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 2016.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the “**2016 AGM**”) will be held on Monday, 8 August 2016. 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 register of members of the Company will be closed from 15 August 2016 to 17 August 2016, both days inclusive. During this period, no transfer of Shares will be registered. In order to attend and vote at the annual general meeting, all transfers of Shares accompanied by the relevant share

* For identification purpose only

certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queens's Road East, Hong Kong not later than 4:30 p.m. on 12 August 2016.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2016 (2015: HK0.5 cent per share).

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 2016 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 2016

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.