



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

THIRD QUARTERLY REPORT 2017

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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, 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 report 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 report misleading.*

THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the nine months ended 31 December 2017 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2017

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000 (Restated)
REVENUE	4	144,747	288,652	615,967	772,912
Cost of sales		(145,692)	(221,320)	(552,973)	(645,765)
Gross profit/(loss)		(945)	67,332	62,994	127,147
Other income and gains	4	278	352	935	995
Fair value loss on investment properties		(1,740)	—	(1,740)	—
Administrative expenses		(10,808)	(9,815)	(26,585)	(23,824)
Other operating income/(expenses), net		(22,011)	17	(22,018)	2,936
Finance costs	6	(845)	(773)	(2,513)	(2,209)
PROFIT/(LOSS) BEFORE TAX	5	(36,071)	57,113	11,073	105,045
Income tax credit/(expense)	7	448	57	(409)	56
PROFIT/(LOSS) FOR THE PERIOD		(35,623)	57,170	10,664	105,101
Attributable to:					
Owners of the Company		(24,613)	57,199	20,847	103,423
Non-controlling interests		(11,010)	(29)	(10,183)	1,678
		(35,623)	57,170	10,664	105,101
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8				
Basic		HK(2.46) cents	HK5.72 cents	HK2.08 cents	HK10.34 cents
Diluted		HK(2.46) cents	HK5.25 cents	HK2.08 cents	HK9.62 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2017

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(35,623)	57,170	10,664	105,101
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	136	(1,827)	1,599	(3,246)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	136	(1,827)	1,599	(3,246)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(35,487)	55,343	12,263	101,855
Attributable to:				
Owners of the Company	(24,333)	55,745	22,280	100,817
Non-controlling interests	(11,154)	(402)	(10,017)	1,038
	(35,487)	55,343	12,263	101,855

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2017

	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium HK\$'000	Contribution surplus HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained profits/(accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2016 (audited)	25,000	9,381	(5,372)	14,294	1,183	3,939	5,581	(24,352)	29,654	6,252	35,906
Profit for the period	—	—	—	—	—	—	—	103,423	103,423	1,678	105,101
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	(2,606)	—	—	(2,606)	(640)	(3,246)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(2,606)	—	103,423	100,817	1,038	101,855
Release of revaluation reserve	—	—	—	(510)	—	—	—	510	—	—	—
At 31 December 2016	25,000	9,381	(5,372)	13,784	1,183	1,333	5,581	79,581	130,471	7,290	137,761
At 1 April 2017 (audited)	25,000	9,381	(5,372)	15,916	1,183	1,951	5,581	41,863	95,503	7,028	102,531
Profit/(loss) for the period	—	—	—	—	—	—	—	20,847	20,847	(10,183)	10,664
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	1,433	—	—	1,433	166	1,599
Total comprehensive income/(loss) for the period	—	—	—	—	—	1,433	—	20,847	22,280	(10,017)	12,263
Release of revaluation reserve	—	—	—	(324)	—	—	—	324	—	—	—
At 31 December 2017	25,000	9,381	(5,372)	15,592	1,183	3,384	5,581	63,034	117,783	(2,989)	114,794

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Deson Construction International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 18 July 2014. The registered address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. 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 (i) the construction business, as a main contractor, fitting-out works, and as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau, and other construction related businesses; and (ii) investment in securities.

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

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the 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 applicable disclosure requirement of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, and investment properties and equity investments at fair value through profit or loss, which have been measured at fair value. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 March 2017. These unaudited condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual report for the year ended 31 March 2017.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current period of the Group. These new and revised HKFRSs have no significant impact on the results or the financial position of the Group for current and previous accounting periods. The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

The condensed consolidated financial statements of the Group have not been audited by the Company’s independent auditors but have been reviewed by the Company’s audit committee.

3. OPERATING SEGMENT INFORMATION

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

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

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

	(Unaudited) Three months ended 31 December 2017			(Unaudited) Nine months ended 31 December 2017		
	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Total HK\$'000	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Total HK\$'000
Segment revenue:						
Income from external customers	148,012	(3,265)	144,747	583,108	32,859	615,967
Other income and gains	187	—	187	681	—	681
	148,199	(3,265)	144,934	583,789	32,859	616,648
Segment results						
Operating profit/(loss)	(8,267)	(3,265)	(11,532)	6,476	32,859	39,335
<i>Reconciliation:</i>						
Interest income			91			254
Provision for cash loss			(21,982)			(21,982)
Unallocated expenses			(1,803)			(4,021)
Finance costs			(845)			(2,513)
Profit/(loss) before tax			(36,071)			11,073
Other segment information:						
Fair value loss on investment properties	1,740	—	1,740	1,740	—	1,740
Loss on disposal of items of property, plant and equipment	27	—	27	58	—	58
Depreciation	206	—	206	617	—	617

3. OPERATING SEGMENT INFORMATION (Continued)

	(Unaudited) Three months ended 31 December 2016			(Unaudited) Nine months ended 31 December 2016		
	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Total HK\$'000	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Total HK\$'000 (Restated)
Segment revenue:						
Income from external customers	226,683	61,969	288,652	673,138	99,774	772,912
Other income and gains	296	—	296	840	—	840
	<u>226,979</u>	<u>61,969</u>	<u>288,948</u>	<u>673,978</u>	<u>99,774</u>	<u>773,752</u>
Segment results						
Operating profit/(loss)	(2,438)	62,023	59,585	7,273	99,774	107,047
<i>Reconciliation:</i>						
Interest income			56			155
Fair value gain on financial liabilities at fair value through profit or loss			—			2,919
Unallocated expenses			(1,755)			(2,867)
Finance costs			<u>(773)</u>			<u>(2,209)</u>
Profit before tax			<u>57,113</u>			<u>105,045</u>
Other segment information:						
Depreciation	204	—	204	607	—	607

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information of income from external customers

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000 (Restated)
Hong Kong	105,521	227,784	433,666	594,821
Mainland China	39,226	60,868	178,098	162,305
Macau	—	—	4,203	15,786
	144,747	288,652	615,967	772,912

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate proportion of contract revenue from construction contracting and related business and gain/(loss) on investment in securities.

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000 (Restated)
Revenue				
Income from construction contracting and related business	148,012	226,683	583,108	673,138
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	(3,298)	61,850	32,700	99,601
Dividend income from equity investment at fair value through profit or loss	33	119	159	173
	144,747	288,652	615,967	772,912
Other income and gains				
Bank interest income	91	56	254	155
Gross rental income	159	—	469	—
Others	28	296	212	840
	278	352	935	995

5. PROFIT/(LOSS) BEFORE TAX

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Cost of construction contracting	145,692	221,320	552,973	645,765
Depreciation	206	204	617	607
Minimum lease payments under operating leases on land and buildings	658	627	1,924	1,895
Loss on disposal of items of property, plant and equipment [^]	27	—	58	—
Rental income on investment properties	(159)	—	(469)	—
Less: outgoings	22	—	74	—
Net rental income	(137)	—	(395)	—
Employee benefit expense (including directors' remuneration):				
Wages and salaries	9,542	9,677	24,145	23,667
Pension scheme contributions*	264	265	731	748
Less: Amount capitalised	(3,666)	(2,791)	(9,570)	(8,835)
	6,140	7,151	15,306	15,580
Provision for cash loss [^]	21,982	—	21,982	—
Foreign exchange differences, net [^]	2	(17)	(22)	(17)
Fair value gain on financial liabilities at fair value through profit or loss [^]	—	—	—	(2,919)

* At 31 December 2017, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2017: Nil).

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Interest on bank loans and overdraft	42	87	135	441
Interest on convertible bonds	839	759	2,492	2,128
Less: Interest capitalised	(36)	(73)	(114)	(360)
	845	773	2,513	2,209

7. INCOME TAX

Hong Kong profits tax had been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the nine months ended 31 December 2017 and 31 December 2016, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current — Hong Kong				
Charge for the period	—	—	900	—
Current — Elsewhere				
Charge for the period	36	39	71	41
Deferred	(484)	(96)	(562)	(97)
Total tax charge/(credit) for the period	(448)	(57)	409	(56)

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (31 December 2016: 1,000,000,000) in issue during the period.

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

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

	(Unaudited) Three months ended 31 December 2017		(Unaudited) Three months ended 31 December 2016	
	HK\$'000		HK\$'000	HK\$'000
Earnings/(loss)				
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	(24,613)	57,199	20,847	103,423
Interest on convertible bonds	839	759	2,492	2,128
	(23,774)[#]	57,958	23,339[#]	105,551
	(Unaudited) Three months ended 31 December 2017		(Unaudited) Nine months ended 31 December 2017	
		2016		2016
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Effect of dilution — weighted average number of ordinary shares:				
Share options	—	503,984	—	—
Convertible bonds	103,000,000	103,000,000	103,000,000	96,632,727
	1,103,000,000[#]	1,103,503,984	1,103,000,000[#]	1,096,632,727 [#]

[#] Because the diluted earnings/(loss) per share amounts are increased/(decrease) when taking share options into account for the three months ended 31 December 2017, nine months ended 31 December 2017 and nine months ended 31 December 2016 and taking convertible bonds into account for the three months ended 31 December 2017 and nine months ended 31 December 2017, the share options and convertible bonds had an anti-dilutive effect on the basic earnings/(loss) per share for those periods. Accordingly, they were ignored in the calculation of diluted earnings/(loss) per share in the above mentioned periods.

Therefore, the diluted earnings/(loss) per share amounts for the three months ended 31 December 2017, three months ended 31 December 2016, nine months ended 31 December 2017 and nine months ended 31 December 2016 are based on the profit/(loss) of (HK\$24,613,000), HK\$57,958,000, HK\$20,847,000 and HK\$105,551,000 and the weighted average number of ordinary shares in issue of 1,000,000,000, 1,103,503,984, 1,000,000,000 and 1,096,632,727, respectively.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (nine months ended 31 December 2016: Nil).

10. SHARE CAPITAL

	(Unaudited)	(Audited)
	30 December	31 March
	2017	2017
	HK\$'000	HK\$'000

Authorised:

4,000,000,000 (31 March 2017: 4,000,000,000) ordinary shares of HK\$0.025 (31 March 2017: HK\$0.025) each	100,000	100,000
---	----------------	---------

Issued and fully paid:

1,000,000,000 (31 March 2017: 1,000,000,000) ordinary shares of HK\$0.025 (31 March 2017: HK\$0.025) each	25,000	25,000
---	---------------	--------

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2017 and 31 December 2017	1,000,000,000	25,000	9,381	34,381

11. COMPARATIVE AMOUNTS

The dividend income from equity investments at fair value through profit or loss of HK\$119,000 and HK\$173,000 for the three months ended 31 December 2016 and nine months ended 31 December 2016, respectively, was reclassified from other income and gains to revenue, as in the opinion of the directors, the presentation would better reflect the financial performance of the Group.

12. EVENTS AFTER THE REPORTING PERIOD

On 19 January 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of its investment properties situated in Beijing for a cash consideration of RMB 8.2 million (approximately HK\$9.8 million). This transaction was completed on 31 January 2018 and is expected to result in a further loss on disposal of approximately HK\$1.4 million after taking into account the estimated transaction costs attributable to the disposal.

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; and (ii) investment in securities, where the Group invests in long term and short term investment in marketable securities.

The Group's turnover for the nine months ended 31 December 2017 recorded at approximately HK\$615,967,000 which represented a significant decrease of approximately 20% from approximately HK\$772,912,000 for the nine months ended 31 December 2016. For construction segment, turnover for the nine months ended 31 December 2017 recorded at approximately HK\$583,108,000 which represented a decrease of 13% from approximately HK\$673,138,000 for the nine months ended 31 December 2016. For investment in marketable securities segment, turnover for the nine months ended 31 December 2017 recorded at approximately HK\$32,859,000 which represented a decrease of 67% from approximately HK\$99,774,000 for the nine months ended 31 December 2016.

(i) Construction Segment

(a) Building construction works:

For the nine months ended 31 December 2017, revenue recorded at this section amounted to approximately HK\$122,695,000 (nine months ended 31 December 2016: HK\$188,172,000). The significant decrease by 35% was due to the completion of several contracts during the year ended 31 March 2017 and no revenue was recognised during the Reporting Period. These contracts include (i) main contractor works for eight residential houses at Pik Sha Road, Hong Kong; (ii) main contractor works for the development of a 12-storey residential building at Stubbs Road, Hong Kong; and (iii) 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.

The above decrease was partly offset by (i) the variation orders works recognised for the main contractor works for four residential houses at Stubbs Road, Hong Kong which the corresponding main contract has been completed during the year ended 31 March 2015 and no revenue was recognised in last reporting period; and (ii) the additional turnover recognised for the site formation and foundation works at Peak Road, Hong Kong which was commenced in July 2016, thus smaller portion of revenue was recognised in last reporting period.

(b) Electrical and mechanical engineering works:

For the nine months ended 31 December 2017, revenue recorded at this section amounted to approximately HK\$192,574,000 (nine months ended 31 December 2016: HK\$189,807,000). The slight increase by 1% was due to the commencement of the following projects after last period end: (i) building services installation works of two special schools at Sung On Street, To Kwa Wan, Kowloon, Hong Kong; (ii) building services installation works of 36-classroom primary school in Area 36 at Fanling, New Territories, Hong Kong; (iii) supply and installation of E&M works at East Point Centre, Causeway Bay, Hong Kong; (iv) supply and installation of fire services for redevelopment of a church at Queen's Road East, Hong Kong and (v) electrical installation at Lot 1003 in Demarcation District No. 40, Sha Tau Kok, New Territories, Hong Kong.

The above increase was mostly offset by some projects which are substantially completed before April 2017 and less revenue was recognised in this Reporting Period. These projects include: (i) building services installation works of two 30-classroom primary school at Kai Tak, Kowloon, Hong Kong; (ii) fire services and MVAC installation of Multimedia Production and Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong; and (iii) term contract for building services works at Sogo Department Store, Causeway Bay, Hong Kong.

(c) Fitting-out works:

For the nine months ended 31 December 2017, revenue recorded at this section amounted to approximately HK\$267,839,000 (nine months ended 31 December 2016: HK\$295,159,000). The decrease by 9% was due to the completion of the following addition and alteration works for the year ended 31 March 2017: (i) fitting out works at Harbour City, Canton Road, Tsim Sha Tsui, Kowloon; and (ii) fitting out works to residential flats and clubhouse at Stubbs Road, Hong Kong. A significant drop of revenue was recognised during this Reporting Period for these projects.

The above decrease was partly offset by the additional turnover recognised for two fitting-out works contracts of residential houses at Henderson Road, Hong Kong and addition and alteration works at Chatham Road North, Tsim Sha Tsui, Kowloon. Those projects were commenced in 2017, thus no revenue was recognised in last reporting period.

(ii) Investment in Marketable Securities Segment

For the nine months ended 31 December 2017, revenue recorded from this segment amounted to approximately HK\$32,859,000 (nine months ended 31 December 2016: HK\$99,774,000).

As at 31 December 2017, the Group managed a portfolio of listed equity investments with fair value of approximately HK\$15 million (31 March 2017: HK\$65 million) which are classified as equity investments 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\$1.2 million (nine months ended 31 December 2016: unrealised gain of approximately HK\$54.5 million); (ii) a realised gain of approximately HK\$33.9 million (nine months ended 31 December 2016: approximately HK\$45.1 million); and (iii) dividend income received from equity investments of approximately HK\$0.2 million (nine months ended 31 December 2016: approximately HK\$0.2 million). The Directors consider the development of this investment in marketable securities business will enable the Group to diversify its business and broaden its revenue base and is in the interest of the Group and the Company's shareholders as a whole. Details of the marketable securities are disclosed under the section "**SIGNIFICANT INVESTMENTS**".

The net profit attributable to owners of the Company decreased significant to approximately HK\$20,847,000 as compared with the net profit attributable to owners of the Company which amounted to approximately HK\$103,423,000 for the nine months ended 31 December 2016. The decrease was due to (i) the drop in realised gain arising from the disposal of marketable securities and the significant drop of unrealised gain for the equity investments held at reporting date; (ii) the provision for cash loss arising from certain suspicious internet frauds which involved fraudulent transfers of funds of approximately HK\$22 million from the bank account of Beijing Chang-de Architectural Decoration Co., Limited, a 60% owned subsidiary (the "**Beijing Subsidiary**"). The case is currently under investigation by the Beijing Public Security Bureau. Please refer to the Company's announcement dated 21 December 2017 for details; and (iii) the fair value loss on the investment properties at Beijing which was sold on 19 January 2018. Basic earnings per share is HK2.08 cents for the period ended 31 December 2017.

Financial Review

Turnover

For the nine months ended 31 December 2017, the Group's turnover amounted to approximately HK\$616 million, decreased by approximately 20% as compared to the last reporting period. The decrease in turnover was mainly due to the drop in realised gain arising from the disposal of marketable securities and the significant drop of unrealised gain for the equity investments held at the reporting date.

Gross profit margin

Our gross profit decreased significantly by approximately HK\$64 million or approximately 50%, from approximately HK\$127 million for the nine months ended 31 December 2016 to approximately HK\$63 million for the nine months ended 31 December 2017. During the nine months ended 31 December 2017, the gross profit margin was approximately 10.2%, down by 6.3% as compared to last period's 16.5%. This is mainly because of the decrease in the percentage of turnover generated from the investment in marketable securities segment over the total turnover, from last period's 13% to this period's 5%, which gross profit margin of this segment generally have a much higher gross profit margin than the construction segment.

After excluding the profit generating from the investment in marketable securities segment, the gross profit margin for this Reporting Period was approximately 5.2%, up by 1.1% as compared to last period's 4.1%. The increase was due to a higher gross margin was noted for the variation orders works recognised during this Reporting Period for the main contractor works of four residential houses at Stubbs Road. The increase in profit outperformed the decrease in revenue, which was mainly attributable to better margin of new contracts, stringent cost control and project management.

Other income

Other income decreased slightly by approximately HK\$60,000 from approximately HK\$995,000 for the nine months ended 31 December 2016 to approximately HK\$935,000 for the nine months ended 31 December 2017. The decrease is mainly because more penalties were charged to sub-contractors during the last reporting period, in the event of non-compliance with rules set by our Group (including but not limited to safety rules), by their staff at our project sites.

Administrative expenses

Administrative expenses increased by approximately HK\$3 million or approximately 12% from approximately HK\$24 million for the nine months ended 31 December 2016 to approximately HK\$27 million for the nine months ended 31 December 2017. The increase was mainly because of additional legal fee incurred during the Reporting Period.

Other operating income/(expenses)

The amount was changed from an income of approximately HK\$3 million for the nine months ended 31 December 2016 to a loss of approximately HK\$22 million for the nine months ended 31 December 2017. The current period amount mainly represents the provision for cash loss arising from certain suspicious internet frauds which involved fraudulent transfers of funds of approximately HK\$22 million from the bank account of the Beijing Subsidiary.

Finance costs

Finance costs increased by approximately HK\$0.3 million or 14% from approximately HK\$2.2 million for the nine months ended 31 December 2016 to approximately HK\$2.5 million for the nine months ended 31 December 2017. The increase was mainly due to the finance costs incurred for the convertible bonds issued in 18 April 2016.

Dividend

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (nine months ended 31 December 2016: Nil).

Liquidity and financial resources

The Group continued to maintain a liquid position. As at 31 December 2017, the Group had cash and cash equivalents of HK\$59,827,000 (31 March 2017: HK\$49,042,000) mainly in Hong Kong dollar and Renminbi. As at 31 December 2017, the Group had total assets of HK\$415,664,000 (31 March 2017: HK\$371,349,000). The Group's current ratio as at 31 December 2017 was 1.43 compared to 1.42 at 31 March 2017.

The gearing ratio for the Group as at 31 December 2017 is 21% (31 March 2017: 22%). It was calculated based on the non-current liabilities of HK\$29,884,000 (31 March 2017: HK\$28,473,000) and long term capital (equity and non-current liabilities) of HK\$144,678,000 (31 March 2017: HK\$131,004,000).

Capital expenditure

Total capital expenditure for the nine months ended 31 December 2017 was approximately HK\$82,000, which was mainly used in the purchase 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

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK\$17,919,000 (31 March 2017: HK\$18,300,000); and
- (ii) the pledge of the Group's deposits of HK\$32,818,000 (31 March 2017: HK\$32,780,000).

Treasury policies

The Directors will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy level of liquidity to ensure that the Group is well-placed to take advantage of growth opportunities. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings are principally denominated in Hong Kong dollars, hence, the Group has 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 10 to the financial statements.

As at 31 December 2017, the Company had outstanding convertible bonds with the aggregate principal amount of HK\$30,900,000 held by six independent third parties.

Based on the initial conversion price of HK\$0.30 per conversion share, 103,000,000 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds which represent approximately 10.3% of the existing issued share capital of the Company as at the date of approval of these financial statements.

SIGNIFICANT INVESTMENTS

As at 31 December 2017, the Group held approximately HK\$15 million equity investments at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock code	Place of incorporation	Unrealised fair value gain/(loss) HK\$'000	Market values HK\$'000	Approximate percentage of equity investments at fair value through profit or loss %	Approximate percentage to the net assets of the Group %
Soho China Limited	1	410	Cayman Islands	(15)	137	0.9	0.12
Singamas Container Holdings Limited	2	716	Hong Kong	(33)	160	1.1	0.14
Shun Wo Group Holdings Limited	3	1591	Cayman Islands	582	2,968	19.7	2.56
Pantronics Holdings Limited	4	1611	British Virgin Islands	15	2,508	16.6	2.16
Jia Meng Holdings Limited	5	8101	Cayman Islands	(1,908)	2,556	17.0	2.20
China Information Technology Development Limited	6	8178	Cayman Islands	(510)	4,080	27.1	3.51
Koala Financial Group Limited	7	8226	Cayman Islands	678	1,680	11.1	1.45
Ping An Insurance (Group) Company of China, Ltd.	8	2318	PRC	—	976	6.5	0.84
				(1,191)	15,065		

Notes:

1. Soho China Limited is principally engaged in real estate development, property leasing and property management. A dividend in the sum of HK\$32,000 was received during the period. According to its latest published financial statements, it had net asset value of approximately RMB74,406,060,000 as at 30 June 2017.
2. Singamas Container Holdings Limited is principally engaged in (i) manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, US domestic containers, offshore containers, other specialized containers and container parts and (ii) provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling and other container related services. A dividend in the sum of HK\$1,000 was received during the period. According to its latest published financial statements, it had net asset value of approximately USD596,003,000 as at 30 June 2017.

3. Shun Wo Group Holdings Limited is engaged in undertaking foundation works in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$157,575,000 as at 30 September 2017.
4. Pantronics Holdings Limited is principally engaged in the electronic manufacturing services. A dividend in the sum of HK\$85,000 was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$117,028,000 as at 31 March 2017.
5. Jia Meng Holdings Limited is principally engaged (i) the design, manufacture and sale of mattress and soft bed products; (ii) the provision of property management and property agency services; (iii) securities investment; and (iv) property investment. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$321,145,000 as at 30 September 2017.
6. China Information Technology Development Limited is principally engaged in (A) the software development and system integration segment in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services; and (B) the in-house developed products segment in the lease of in-house developed computer hardware. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$545,713,000 as at 30 June 2017.
7. Koala Financial Group Limited is principally engaged in (i) securities investment; (ii) trading of commodities; (iii) trading of garment accessories; (iv) manufacturing and sales of LED digital display products; (v) provision of securities placing and brokerage services; (vi) money lending; and (vii) leasing of investment properties. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$201,683,000 as at 30 June 2017.
8. Ping An Insurance (Group) Company of China, Ltd. is principally engaged in (i) The life and health insurance segment offers a comprehensive range of life insurance products to individual and corporate customers, including term, whole-life, endowment, annuity, investment-linked, universal life and health care and medical insurance, reflecting performance of life insurance, annuity insurance and health insurance subsidiaries; (ii) The property and casualty insurance segment offers a wide variety of insurance products to individual and corporate customers, including automobile insurance, non-automobile insurance and accident and health insurance, reflecting performance of property and casualty insurance subsidiary; (iii) The banking segment undertakes loan and intermediary business with corporate customers and retail customers as well as wealth management and credit card services with individual customers, reflecting performance of banking subsidiary; (iv) The trust segment provides trust services and undertake investing activities; (v) The securities segment undertakes brokerage, trading, investment banking and asset management services; (vi) The other asset management business segment provides investment management services and financial lease business, reflecting performance of asset management and financial leasing and the other asset management subsidiaries and (vii) The internet finance segment provides various financial and daily-life services through internet platforms such as financial transaction information service platform, health care service platform, reflecting performance of internet finance subsidiaries, associates and jointly controlled entities. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately RMB532,698,000,000 as at 30 June 2017.

During the nine months ended 31 December 2017, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$101 million and income recognised in revenue for the amount of HK\$34 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/(loss) HK\$'000
Master Glory Group Limited	275	Bermuda	973	10
Singamas Container Holdings Limited	716	Hong Kong	1,010	45
InvesTech Holdings Limited	1087	Cayman Islands	3,275	(367)
Zhuguang Holdings Group Company Limited	1176	Bermuda	3,694	824
Agricultural Bank of China Limited	1288	PRC	362	(5)
Industrial and Commercial Bank of China Limited	1398	PRC	530	3
Leap Holdings Group Limited	1499	Cayman Islands	5,603	(1,992)
Shun Wo Group Holdings Limited	1591	Cayman Islands	210	40
Pantronics Holdings Limited	1611	British Virgin Islands	6,231	836
China Overseas Property Holdings Limited	2669	Cayman Islands	592	36
ChinaAMC CSI 300 Index ETF	3188	N/A	433	5
Kiddieland International Limited	3830	Cayman Islands	630	(161)
Jia Meng Holdings Limited	8101	Cayman Islands	5,966	(854)
China Information Technology Development Limited	8178	Cayman Islands	9,284	(1,424)
China Candy Holdings Limited	8182	Cayman Islands	44,016*	31,796
Sau San Tong Holdings Limited	8200	Cayman Islands	3,945	(477)
Echo International Holdings Group Limited	8218	Cayman Islands	1,297	(704)
First Credit Finance Group Limited	8215	Bermuda	2,793	593
Koala Financial Group Limited	8226	Cayman Islands	9,695	5,687
			100,539	33,891

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

In view of the recent 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.

Prospect

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

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

During the Reporting Period, new projects such as Main contractor for one residential house including E&M works at Peak Road, Hong Kong, alterations and additions works including E&M works for a factory building at Chatham Road North, Hung Hom, Hong Kong, fitting-outs works of a residential house at Henderson Road, Hong Kong, interior fitting out works at Pik Sha Road, Hong Kong, replacement of deteriorated auto-fire alarm panel at General Post Office and Victoria Park swimming pool, Hong Kong, supply and installation of new fire detectors for Kowloon Shangri-La, Hong Kong, several term contracts for the maintenance and repair works including alterations and additions and fire services installations for Health Services Buildings at different location of Hong Kong, term contract for building services works at Sogo Department Store, Causeway Bay and Tsim Sha Tsui, Hong Kong, triennial term contract for the maintenance and repair of, alterations and additions to fire services installations for Health Services Building in Hong Kong region and Outlying Islands, fitting-out works of China Meteorological Administration at Changing, Beijing, the PRC, fitting-out works of office at Shanxi, Taiyuan, the PRC and alterations and additions works of a Beijing school. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,565 million.

With the Group’s proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group could strengthen its position in the Hong Kong market and diversify its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers. While the outlook for the construction industry in Hong Kong looks promising in the long run, there remain challenges that are unlikely to dissipate in the near future. The overall building and construction expenditure maintained its uptrend which was contributed by the growth in private building and construction activity and public building and construction expenditure stayed at a high level.

In view of the growth prospects for both public and private development projects, the Group intends to expand the business capacity and scale to strengthen its the market position in Hong Kong to capture more sizeable and profitable projects. The Group intends to further diversify the customer base by bidding works from more private residential developers.

While the construction sectors keep its upward trend, the Group's divisions in building construction and E&M faced keen competition as reflected in very close tender prices amongst tenderers. The management of all the Group's divisions are cautious in securing business and maintaining satisfactory margin. With the satisfactory level of contracts on hand, the Board is cautiously optimistic on the Group's business development in the future.

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 of the country. With the Group's expertise and experience in the PRC market, the Directors believe that the Group can seize such opportunities and focus on expanding its business in the third- and fourth-tier cities in the PRC.

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

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

Despite the uncertainties in the global financial markets, the Group will continue to respond to the changing market environment and review its investment strategy regularly. The Group will also seek investment opportunities in listed securities and other financial products in Hong Kong and other recognised financial markets overseas with a view to generate additional income and enhance the capital use of the Group.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the “**Scheme**”) on 11 August 2015, the Company adopted the Share Option Scheme. Under the terms of the Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. The Scheme became effective on 10 August 2015 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Company had 80,000,000 share options available for issue under the Scheme, which represented approximately 8% of the issued shares of the Company as at 31 December 2017.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and will expire on the last date of such period.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company’s shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting date are as follows:

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	Price of the Company's shares**	
	At 1 April 2017	Granted during the period	Exercised during the period	At 31 December 2017			Exercise price of share options* HK\$ per share	At grant date of options HK\$ per share
Directors:								
Keung Kwok Cheung	2,400,000	—	—	2,400,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Kwok Koon Keung	2,200,000	—	—	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lo Wing Ling	2,200,000	—	—	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong Chi King	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lee Tho Siem	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Cheung Ting Kee	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong King Keung	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
	10,800,000	—	—	10,800,000				
Other employees, in aggregate	7,200,000	—	—	7,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Total	18,000,000	—	—	18,000,000				

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing price immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2017, the interests and short positions of the each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any associated corporation (within in the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules, were as follows:

A. Long positions in ordinary shares of the Company

Name of Directors	Number of ordinary shares held, capacity and nature of interest		Number of underlying ordinary shares of HK\$0.025 each in the Company	Options*	Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation				
Mr. Keung Kwok Cheung	—	—	—	2,400,000	2,400,000	0.24%
Mr. Kwok Koon Keung	500	—	—	2,200,000	2,200,500	0.22%
Mr. Lo Wing Ling	—	—	—	2,200,000	2,200,000	0.22%
Mr. Ong Chi King	8,802,000	—	—	1,000,000	9,802,000	0.98%
Mr. Tjia Boen Sien ("Mr. Tjia")	22,887,200	338,414,868 (Note 1)	—	—	361,302,068	36.13%
Mr. Ong King Keung	—	—	—	1,000,000	1,000,000	0.10%
Mr. Lee Tho Siem	—	—	—	1,000,000	1,000,000	0.10%
Mr. Cheung Ting Kee	—	—	—	1,000,000	1,000,000	0.10%

- * The options were granted on 3 February 2016 with consideration of HK\$1 under the Share Option Scheme adopted by the Company. The above options could be exercised from the date of grant to 2 February 2019 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$0.025 each in the Company at an initial exercise price of HK\$0.28 per share. None of the options were exercised by any of the above Directors during the period. Further details of the Directors' interests in underlying shares in respect of the options are disclosed in Note 2 below.

Notes:

- (1) Mr. Tjia beneficially owns all the shares in Sparta Assets Limited (“**Sparta Assets**”), a company incorporated in the British Virgin Islands (“**BVI**”). Sparta Assets directly beneficially owned 26,645,000 shares in the Company and it beneficially owned 349,935,000 shares in DDIHL, representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 338,414,868 shares in the Company (being aggregate of 26,645,000 shares in the Company held by Sparta Assets and 311,769,868 shares in the Company indirectly owned by DDIHL (through DDHL) which Sparta Assets is deemed to be interested in).
- (2) Details of Directors’ interests in underlying shares in respect of the options granted under the Share Option Scheme are summarised as follows:

Name of Directors	Exercise price per share HK\$	Number of underlying ordinary shares of HK\$0.025 each in the Company in respect of which options have been granted
		Balance as at 31 December 2017
Mr. Keung Kwok Cheung	0.28	2,400,000
Mr. Kwok Koon Keung	0.28	2,200,000
Mr. Lo Wing Ling	0.28	2,200,000
Mr. Ong Chi King	0.28	1,000,000
Mr. Lee Tho Siem	0.28	1,000,000
Mr. Cheung Ting Kee	0.28	1,000,000
Mr. Ong King Keung	0.28	1,000,000

The above interests in the underlying shares of the Company in respect of options were held pursuant to unlisted physically settled equity derivatives.

B. Interest in shares and underlying shares of associated corporation – Deson Development International Holdings Limited (“DDIHL”)

Name of Directors	Number of ordinary shares of HK\$0.10 each in DDIHL		Number of underlying ordinary shares of HK\$0.10 each in DDIHL		Percentage of the DDIHL's issued share capital
	Directly beneficially owned	Through controlled corporation	Options*	Total	
Mr. Tjia	68,661,600(L)	349,935,000(L) (Note 1)	160,000	418,756,600	42.82%
Mr. Keung Kwok Cheung	300,000(L)	—	1,500,000	1,800,000	0.18%
Mr. Kwok Koon Keung	1,500(L)	—	500,000	501,500	0.05%
Mr. Lo Wing Ling	—	—	500,000	500,000	0.05%
Mr. Lee Tho Siem	1,785,000(L) (Note 2)	—	—	1,785,000	0.18%

Notes:

(L) denotes long position.

* The options were granted on 17 April 2015 with consideration of HK\$1 under the share option scheme adopted by DDIHL (the “**DDIHL Share Option Scheme**”). The above options could be exercised from the date of grant to 16 April 2018 in accordance with the rules of the DDIHL Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in DDIHL at an initial exercise price of HK\$0.71 per share. None of the options were exercised by any of the above Directors during the period. Further details of the Directors’ interests in underlying shares in respect of the options are disclosed in Note 3 below.

1. Mr. Tjia beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. Sparta Assets directly beneficially owned 349,935,000 shares in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 349,935,000 shares in DDIHL held by Sparta Assets.
2. Mr. Lee Tho Siem directly beneficially owned 1,110,000 shares and is deemed to be interested in 675,000 shares held by his spouse, Ms. Wong Kam Ching. By virtue of the SFO, Ms. Wong Kam Ching’s interest is taken to be Mr. Lee Tho Siem’s interest.

3. Details of Directors' interests in underlying shares in respect of the options granted under the DDIHL Share Option Scheme are summarised as follows:

Name of Directors	Exercise price per share HK\$	Number of underlying ordinary shares of HK\$0.10 each in DDIHL in respect of which options have been granted
		Balance as at 31 December 2017
Mr. Tjia	0.71	160,000
Mr. Keung Kwok Cheung	0.71	1,500,000
Mr. Kwok Koon Keung	0.71	500,000
Mr. Lo Wing Ling	0.71	500,000

The above interests in the underlying shares of the associated corporation of the Company in respect of options were held pursuant to unlisted physically settled equity derivatives.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as is known to the Directors of the Company, the following persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
DDHL	Beneficial owner	311,769,868	31.18%
DDIHL	Interest in controlled corporation (Note 1)	311,769,868	31.18%
Sparta Assets	Beneficial owner	26,645,000	2.66%
	Interest in controlled corporations (Note 2)	311,769,868	31.18%

Notes:

- DDHL is a company incorporated in the BVI and is wholly owned by DDIHL. DDIHL is deemed to be interested in the shares beneficially owned by DDHL.
- Sparta Assets directly beneficially owned 349,935,000 shares in DDIHL, representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Sparta Assets is deemed to be interested in 311,769,868 shares indirectly owned by DDIHL (through DDHL).

Save as disclosed above, as at the 31 December 2017, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

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

EVENT AFTER THE REPORTING PERIOD

Details of event after the reporting period are set out in note 12 to the financial statements.

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 interim report of the Company dated 7 November 2017, 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 Hong Kong Education (Int'l) Investments Limited (stock code: 1082), a company with its shares listed on the main board of the Stock Exchange, on 9 November 2017.

Mr. Ong King Keung

Appointed as an independent non-executive director of My Heart Bodibra Group Limited (stock code: 8297), a company with its shares listed on the GEM of the Stock Exchange, on 29 December 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. No director has dealt in the shares of the Company during the Reporting Period.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 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. 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 report, the audit committee comprises of three independent non-executive Directors, namely Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Chan Ka Yin.

The unaudited third quarterly results of the Company for the nine months ended 31 December 2017 have not been audited by the Company's independent auditors, but have been reviewed by the audit committee members who have provided advice and comments thereon.

By order of the Board
Deson Construction International Holdings Limited
Keung Kwok Cheung

Chief Executive Officer and Executive Director

Hong Kong, 6 February 2018

As at the date of this report, the Board of Directors of the Company comprises Mr. Keung Kwok Cheung, Mr. Kwok Koon Keung, Mr. Lo Wing Ling and Mr. Ong Chi King as executive Directors; Mr. Tjia Boen Sien and Mr. Ong King Keung as non-executive Directors; and Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Chan Ka Yin as independent non-executive Directors.