



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 REPORT 2015

Construction and Fitting Out Project



No.48 Stubbs Road, Hong Kong

Main contractor for four residential houses including foundation, superstructure and engineering and mechanical works



Pik Sha Road, Sai Kung, N.T., Hong Kong

Main contractor for development of eight nos. residential houses, clubhouse and associated external works including site formation, construction of sub-structure and superstructure works, building services and interior fitting out works



Prada, Plaza 2000, 2-4 Russell Street and 8 Canal Road East, Causeway Bay, Hong Kong

Alteration and Additional and fitting out works

E&M Project



Cadogan, Kennedy Town

Fire Services Installation, (MVAC)
Mechanical Ventilation and Air-conditioning Installation



Sheung Shui Ambulance Depot

Electrical Installation, (MVAC)
Mechanical Ventilation and Air-conditioning Installation

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.*

Contents

CORPORATE INFORMATION	3
CHAIRMAN'S STATEMENT	5
MANAGEMENT DISCUSSION AND ANALYSIS	6
CORPORATE GOVERNANCE REPORT	12
BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT	23
REPORT OF THE DIRECTORS	26
INDEPENDENT AUDITORS' REPORT	33
AUDITED FINANCIAL STATEMENTS	
Consolidated:	
Statement of Profit or Loss	35
Statement of Comprehensive Income	36
Statement of Financial Position	37
Statement of Changes in Equity	39
Statement of Cash Flows	40
Company:	
Statement of Financial Position	42
Notes to Financial Statements	43
SUMMARY OF FINANCIAL INFORMATION	100

BOARD OF DIRECTORS

Executive Directors

Mr. Keung Kwok Cheung (*Chief Executive Officer*)
(appointed on 18 July 2014)

Mr. Kwok Koon Keung (appointed on 25 July 2014)

Mr. Lo Wing Ling (appointed on 25 July 2014)

Non-Executive Director

Mr. Tjia Boen Sien (*Chairman*)
(appointed on 18 July 2014)

Independent non-executive Directors

Mr. Lee Tho Siem (appointed on 16 December 2014)

Mr. Cheung Ting Kee (appointed on 16 December 2014)

Mr. Ong King Keung (appointed on 16 December 2014)

BOARD COMMITTEES

Audit Committee

Mr. Ong King Keung (*Chairman*)

Mr. Lee Tho Siem

Mr. Cheung Ting Kee

Remuneration Committee

Mr. Lee Tho Siem (*Chairman*)

Mr. Ong King Keung

Mr. Cheung Ting Kee

Mr. Keung Kwok Cheung

Mr. Tjia Boen Sien

Nomination Committee

Mr. Lee Tho Siem (*Chairman*)

Mr. Ong King Keung

Mr. Cheung Ting Kee

Mr. Keung Kwok Cheung

Mr. Tjia Boen Sien

Internal Control Committee

Mr. Ong King Keung (*Chairman*)

Mr. Lee Tho Siem

Mr. Cheung Ting Kee

COMPANY SECRETARY

Mr. Tong Ka Ming, Patrick (*CPA*)

COMPLIANCE OFFICER

Mr. Keung Kwok Cheung

AUTHORISED REPRESENTATIVE

Mr. Keung Kwok Cheung

Mr. Tong Ka Ming, Patrick

COMPLIANCE ADVISER

Kingsway Capital Limited

AUDITORS

Ernst & Young

LEGAL ADVISERS

Appleby

Howse Williams Bowers

REGISTERED OFFICE

Clifton House, 75 Fort Street

P.O. Box 1350, Grand Cayman

KY1-1108, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor, Nanyang Plaza

No. 57 Hung To Road

Kwun Tong, Kowloon

Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman
KY1-1108, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Dah Sing Bank Limited

STOCK CODE

8268

WEBSITE OF THE COMPANY

www.deson-c.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Deson Construction International Holdings Limited (our "**Company**", together with our subsidiaries, our "**Group**"), I have the pleasure to present to you the annual report for the year ended 31 March 2015.

2014 was definitely a remarkable year for the development of our Group. Our successful listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 8 January 2015 symbolised our reaching of a new milestone. The spin-off allowed two groups to create a more defined business focus, more efficient resource allocation and separate fund raising platforms to fund the respective business growth and expansion.

Looking ahead, the Group holds a cautiously optimistic view towards the coming year. On the external front, the global economic recovery continues but remains weak. The forecasts for the Euro Zone are still fairly dim. In respect of domestic demand, China's economy showing a sign of continuous improvement as a result of the impact of the government's stimulus moves, nevertheless, with its proven track records and valuable expertise, the Group remains confident that our team's commitment and dedication will enable us to embrace the challenges ahead. We will continue to strengthen the development of construction business (including E&M) and the Group will keep on seeking new opportunities and corporate development so as to accelerate the growth momentum. I believe the Group will continue to create value for shareholders on the back of the diligent efforts of all employees.

On behalf of the Board, I would like to express my sincere gratitude to all our customers, shareholders and business partners for their continuous care and support. I would also like to thank all of our employees for dedication and loyalty they have shown throughout the years.

Tjia Boen Sien

Chairman

Hong Kong, 22 June 2015

Management Discussion and Analysis

BUSINESS REVIEW

We are principally engaged as a contractor in the building industry operating in Hong Kong and the People's Republic of China (the "PRC"). As a contractor, 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) alternations, addition, renovation, refurbishment and fitting-out works.

The Group's turnover for the year ended 31 March 2015 recorded at approximately HK\$750,075,000 which represented a decrease of 9% from approximately HK\$825,379,000 for the year ended 31 March 2014.

(i) Building construction works:

For the year ended 31 March 2015, revenue recorded at this segment amounted to approximately HK\$294,577,000 (2014: HK\$234,752,000). The increase by 25% was because certain substantial projects were granted at the end of last year and thus not much revenue can be recognised for the year ended 31 March 2014. The completion of these substantial projects in current year, contributed a significant portion of turnover for the year ended 31 March 2015. These contracts include superstructure work for residential houses at Stubbs Road, Hong Kong and alternation and addition works for residential development at South Bay Road, Hong Kong.

(ii) Electrical and mechanical engineering works:

For the year ended 31 March 2015, revenue recorded at this segment amounted to approximately HK\$198,215,000 (2014: HK\$270,691,000). The decrease by 27% was mainly due to the completion of several substantial contracts in last year, while those new contracts works awarded to the Group in 2015 are still in their early stage of development.

(iii) Fitting-out works:

For the year ended March 2015, revenue recorded at this segment amounted to approximately HK\$257,283,000 (2014: HK\$319,936,000). The decrease by 20% was mainly attributable to the decrease of new contracts work awarded and thus revenue drop accordingly from projects for new shops of luxury brands products in the PRC due to the slow down of the sales of luxury goods in PRC markets.

Due to the general increase in contracts costs and the non-recurring listing expenses of approximately HK\$12,600,000 incurred in relation to the listing of the Company's share on GEM, the net loss attributable to equity holders of the Company amounted to approximately HK\$3,977,000 as compared with the net profit attributable to equity holders of the Company amounted to approximately HK\$15,946,000 for the year ended 31 March 2014. Losses per share is approximately HK0.50 cent.

During the year ended 31 March 2015, the Group completed or substantially completed projects such as main contractor for four residential houses including E&M works at Stubbs Road, Hong Kong, main contractor for alternation and addition works for a factory building at Tsun Yip Street, Kwun Tong, Hong Kong, alteration and additions work for residential house at South Bay Road, Hong Kong, biennial term contract for maintenance and repair of, alternations and additions to, fire services installations for health services buildings in Kowloon and New Territories East region, Hong Kong, fitting-out works for Citistore at Yuen Long, electrical, mechanical ventilation air conditioning and fire services for transformation of the former married quarters on Hollywood Road into a creative industries landmark at Central Hong Kong, new school campus in Sai Kung for Hong Kong Academy, Hong Kong, fitting-out works for Miu Miu shop and Prada shop at Hong Kong International Airport, Tianjin and Shanghai, the PRC.

Management Discussion and Analysis

This year marked an important milestone for the Group's development. On 8 January 2015, the shares of the Company were successfully listed on GEM. As stated in the Company's prospectus dated 24 December 2014 (the "**Prospectus**"), the Group's business objectives are to achieve sustainable growth in our current business and to create long-term shareholder's value by mainly focusing on the Hong Kong and the PRC markets in near term. Looking forward, the Group will continue to enhance competitiveness and management capabilities to bid more rewarding contracts in Hong Kong and the PRC and to further scale up the Group's business.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2015, the Group's turnover amounted to approximately HK\$750 million, decreased by 9% as compared to last year. The drop in turnover was mainly due to the completion of certain substantial projects for the electrical and mechanical engineering works last year while the new contracts granted during the year were at the beginning stage, and had not yet been recognised as revenue by the Group for the year. On the other hand, because of the slow down of the sales of luxury brand products in China, less fitting-out works projects of luxury brand shops were granted in the current year. It also caused the drop of revenue of the Group.

Gross profit margin

Our gross profit decreased by approximately HK\$4 million or 9%, from approximately HK\$47 million for the year ended 31 March 2014 to approximately HK\$43 million for the year ended 31 March 2015. During the year ended 31 March 2015, the gross profit margin was approximately 5.7%, which is similar as last year.

Other income

Other income decreased by approximately HK\$7 million from approximately HK\$12 million for the year ended 31 March 2014 to approximately HK\$5 million for the year ended 31 March 2015. The decrease was mainly because no staff was provided to assist or supervise Deson Development International Holdings Limited and its subsidiaries (other than the Group) ("**Remaining Group**"). Accordingly, no reimbursement of staff cost from the Remaining Group during this year (2014: HK\$5.6 million).

Administrative Expenses

Administrative expenses increased by approximately HK\$11 million or 26% from approximately HK\$39 million for the year ended 31 March 2014 to approximately HK\$50 million for the year ended 31 March 2015. The increase was attributable to the listing expenses of approximately HK\$12.6 million which was recognized as expenses in this year while no listing expenses was incurred for last year.

Liquidity and financial resources

As at 31 March 2015, the Group had total assets of HK\$190,922,000, which is financed by total liabilities, shareholders' equity and non-controlling interests of HK\$162,664,000, HK\$23,292,000 and HK\$4,966,000, respectively. The Group's current ratio at 31 March 2015 was 1.02 compared to 1.14 at 31 March 2014.

The gearing ratio for the Group is 15% (31 March 2014: 13%). It was calculated based on the non-current liabilities of HK\$5,035,000 (31 March 2014: HK\$38,085,000) and long term capital (equity and non-current liabilities) of HK\$33,293,000 (31 March 2014: HK\$289,849,000).

Management Discussion and Analysis

Capital expenditure

Total capital expenditure for the year ended 31 March 2015 was approximately HK\$282,000, 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

Assets with a carrying value of HK\$46,874,000 were pledged as securities for the Group's banking facilities. Details of the charges on assets of the Group are set out in note 25 to the financial statements.

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 mainly exposes to currency of Renminbi, which are arising 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 27 to the financial statements.

PROSPECT

The Group will uphold an on-going parallel development of its construction business (including building construction and E&M works) in both the PRC and Hong Kong. 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.

Management Discussion and Analysis

During the year, new projects such as fitting-out works for residential house at South Bay Road, 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, main contractor for development of eight residential house, 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, 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 outlying 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, 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 for PRC Ministry of Foreign Affairs, alternation, addition and fitting-out works for Prada shop at Causeway Bay, Hong Kong, fitting-out works for Miu Miu shop and Prada shop at Beijing, the PRC, fitting-out works for a bank at Beijing, the PRC were granted. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,557 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 diversifies its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers.

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 our established expertise.

In order to provide comprehensive services to our customers, we intend to expand our services under the building construction works from time to time and apply for additional licences, permits or qualifications which may be required. For example, to increase our scope of services for building construction works to include site formation, we were approved as a Specialist Contractor (site formation) by the Buildings Department of Hong Kong in December 2014. The Directors believe our qualification in site formation will complement our other services.

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 our position in the Hong Kong market and our capital base to support more capital intensive projects; (ii) further expand our business into the PRC; and (iii) continue to expand our scope of services in building construction works.

Management Discussion and Analysis

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 annual report is set out below:

Business objective as stated in the Prospectus	Actual business progress up to 31 March 2015
(i) Strengthen our position in the Hong Kong market and our capital base to support more capital intensive projects	The Group continues its effort in identifying suitable business opportunities with potential customers from time to time. A contract with contract sum amount HK\$298 million was granted to act as a main contractor for development of a 12-storey residential building including construction of sub-structure, superstructure, building services and interior fitting-out works.
(ii) Further expand our business into the PRC	<p>The Group keeps good relationship with its existing customers. More tenders for contracts were made to broaden our customers' base.</p> <p>On 6 May 2015, the Group and 江蘇樂生活電子商務有限公司 ("樂生活") entered into a memorandum of understanding to provide fitting-out work services for 樂生活 to develop O2O service platform in the PRC. Details of which are disclosed in the announcement of the Company dated 6 May 2015.</p>
(iii) Continue to expand our scope of services in building construction works	On 9 December 2014, the Group was approved by Buildings Department as Specialist Contractor (site formation). We have submitted a tender for a site formation and foundation works at Shau Kei Wan Road with the tender sum amounted to approximately HK\$35 million.

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 2015, the unused proceeds of approximately HK\$4.1 million were deposited into licensed banks in Hong Kong.

As at 31 March 2015, the net proceeds had been utilized as follows:

	Actual net proceeds HK\$ million	Amount utilised up to 31 March 2015 HK\$ million	Balance as at 31 March 2015 HK\$ million
Operation of two existing projects	14.9	12.1	2.8
General working capital	1.7	0.4	1.3
Total	16.6	12.5	4.1

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this report, our Group did not have other plans for material investment or capital assets as at 31 March 2015.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2015, there was no significant investment held, no material acquisition, disposal of subsidiaries and affiliated companies by our Group.

EVENTS AFTER REPORTING PERIOD

Details of event after reporting period are set out in note 37 to the financial statements.

HUMAN RESOURCES

As at 31 March 2015, the Group had 127 employees, 76 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the year ended 31 March 2015 amounted to HK\$34 million as compared to HK\$32 million for the year ended 31 March 2014, the increase is mainly due to the increment under the yearly salary review and the Group having given more discretionary bonus to its employees in the current year.

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

Corporate Governance Report

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 shares of the Company were listed on the GEM of the Stock Exchange on 8 January 2015 (the "**Listing Date**"). 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 period from the Listing Date to 31 March 2015 (the "**Period under Review**").

THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Company acknowledges the important role of its Board of Directors (the "**Board**") in providing effective leadership and direction of the Company towards its objectives and ensuring transparency and accountability of all operations. The key corporate governance principles and practices of the Company are summarised as follows:

The Board

The Company has a division of functions reserved to the Board and delegated to the management. The Board provides leadership and approves strategic policies and plans with a view to enhance shareholder interests while the day-to-day operations of the Company are delegated to the management with proper supervision from the Board. The Board reserves for its decisions on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, corporate governance, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board is responsible for determining the policy for corporate governance of the Company and performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirement;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with the CG Code.

The Company Secretary assists the Chairman in preparing the agenda for Board meetings. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Corporate Governance Report

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the management. The delegated functions and work tasks are periodically reviewed by the Board after being reported back on by management. Approval has to be obtained from the Board prior to any significant decisions being made or significant transactions or commitments being entered into by the abovementioned officers, who cannot exceed any authority given to them by resolutions of the Board or the Company.

The Board has the full support of the Chief Executive Officer and the management to discharge its responsibilities.

The Company has arranged for appropriate insurance cover in respect of legal actions against the Board and to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Composition

The Company had adopted a Board diversity policy aims to set out the approach to achieve the diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members.

The Nomination Committee will follow a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon possible contribution that the selected candidates will bring to the Board.

The Board of the Company comprises the following Directors:

Executive Directors

Mr. Keung Kwok Cheung (*Chief Executive Officer*) (*appointed on 18 July 2014*)

Mr. Kwok Koon Keung (*appointed on 25 July 2014*)

Mr. Lo Wing Ling (*appointed on 25 July 2014*)

Non-executive Director

Mr. Tjia Boen Sien (*Chairman*) (*appointed on 18 July 2014*)

Independent Non-executive Directors

Mr. Lee Tho Siem (*appointed on 16 December 2014*)

Mr. Cheung Ting Kee (*appointed on 16 December 2014*)

Mr. Ong King Keung (*appointed on 16 December 2014*)

None of the members of the Board are related to one another or have any financial, business, family or other material or relevant relationships with each other.

During the Period under Review, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Corporate Governance Report

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

The non-executive Director brings independent judgement on issues of strategic direction, policies, development, performance and risk management through his contribution at Board meetings.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors will scrutinize the performance of the Company in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

The Board values the contribution of the non-executive Director and the independent non-executive Directors, and strives to ensure constructive relations between them and the executive Directors. All Directors are encouraged to contribute their views during Board meetings.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors. Directors to be appointed will have a formal letter of appointment setting out the key terms and conditions of their appointment. Any Board member is entitled to recommend suitable candidate that meet the requirements of the GEM Listing Rules for consideration by the Board.

All Directors are required to retire by rotation at least once every three years at the annual general meeting, subject to re-election by the shareholders. All Non-Executive Directors (including Independent Non-Executive Directors) are appointed for a term of not more than three years.

Training for Directors and Company Secretary

In August 2014, the Company has arranged all the Directors to attend training conducted by qualified professionals to ensure they are fully aware of their responsibilities as directors under statute and common law, the GEM Listing Rules and other applicable legal and regulatory requirements. The Directors are also regularly updated and appraised of any new regulations and guidelines, as well as any amendments thereto issued by the Stock Exchange, particularly the effects of such new or amended regulations and guidelines on directors especially. On an ongoing basis, Directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars as appropriate.

The Directors have been informed of the requirement under CG Code A.6.5 regarding continuous professional development. The Company has received from each of the directors, namely Mr. Keung Kwok Cheung, Mr. Kwok Koon Keung, Mr. Lo Wing Ning, Mr. Tjia Boen Sien, Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Ong King Keung, a written record of his continuous professional development training received.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

Corporate Governance Report

For the date of Listing until 31 March 2015, the Company Secretary has received less than 15 hours of relevant professional training. It was less than the minimum requirement because there are only three months from the date of Listing until 31 March 2015. The Company will ensure the Company Secretary will fulfill the requirement in full for the year ended 31 March 2016.

Board Meetings

During the Period under Review, three full board meetings were held. Details of the attendance of the Directors are as follows:

	Directors' Attendance
Executive Directors	
Mr. Keung Kwok Cheung (<i>Chief Executive Officer</i>) (<i>appointed on 18 July 2014</i>)	3/3
Mr. Kwok Koon Keung (<i>appointed on 25 July 2014</i>)	3/3
Mr. Lo Wing Ling (<i>appointed on 25 July 2014</i>)	3/3
Non-executive Director	
Mr. Tjia Boen Sien (<i>Chairman</i>) (<i>appointed on 18 July 2014</i>)	3/3
Independent Non-executive Directors	
Mr. Lee Tho Siem (<i>appointed on 16 December 2014</i>)	3/3
Mr. Cheung Ting Kee (<i>appointed on 16 December 2014</i>)	3/3
Mr. Ong King Keung (<i>appointed on 16 December 2014</i>)	3/3

Notice of regular Board meetings were served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate information are sent to all Directors at least three days before each Board meeting or committee meeting so as to ensure that there is timely access to relevant information. All Directors can give notice to the Chairman of the Board or the Company Secretary if they intend to include matters in the agenda for Board meetings. The Board and the senior management are also obligated to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary in a timely manner.

The Company Secretary, who is an employee of the Company, is responsible to take and keep minutes of all Board meetings and Board committee meetings, which record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. At Board meetings, all Directors have ample opportunities to express their respective views, voice any concerns and discuss the matters under consideration, and the results of voting at Board meetings fairly reflects the consensus of the Board. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. Directors are entitled to have access to board papers and queries will be responded fully. According to the current practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Such Director must abstain from voting and will not be counted as quorum.

Corporate Governance Report

Directors' commitments

Each Director has confirmed that he can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The respective responsibilities of the Chairman and the Chief Executive Officer are clearly defined and set out in writing. The Chairman provides leadership for the Board and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chairman is primary responsible for ensuring good corporate governance practices and procedures are established. He encourages all Directors to make full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. He ensures that appropriate steps are taken to provide effective communication with shareholders and their views are communicated to the board as a whole. With the support of the management, the Chairman is also responsible for ensuring that the Directors receive adequate information (whether from senior management or otherwise) in a timely manner, which is accurate, clear, complete and reliable, and appropriate briefing on issues arising at Board meetings as well as to ensure constructive relations between the executive and non-executive Directors.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval, as well as developing policies and practices on corporate governance and compliance with legal and regulatory requirements.

The position of Chairman is held by Mr. Tjia Boen Sien while the position of the Chief Executive Officer is held by Mr. Keung Kwok Cheung.

The Chairman has held a meeting with the independent non-executive Directors without the executive Directors.

Board Committees

The Board has established four committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Internal Control Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees have complied with the Code provisions and are available on the Stock Exchange website www.hkexnews.hk and the Company's website www.deson-c.com and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. These Board committees will report back to the Board on their decisions or recommendations.

Corporate Governance Report

Audit Committee

The Audit Committee comprises the three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr. Ong King Keung is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the Board.
- (b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees, terms of engagement and independence, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, and risk management system and associated procedures.
- (d) To review the adequacy of resources, qualifications and experience of the Company's accounting and financial reporting staff, their training programs, and budget.

As our Company was first listed on GEM on 8 January 2015, the Audit Committee held only 1 meeting during the Period under Review to review the latest annual financial results and reports, financial reporting and compliance procedures, effectiveness of internal control systems and the appointment of the external auditors. Minutes of Audit Committee meetings are kept by the Company Secretary of the Company. Draft and final version of the minutes of meetings are sent to all committee members for comments within a reasonable time after the meeting. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resource is provided by the Company for the Audit Committee to perform its duties.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

Details of the attendance record of members of the Audit Committee are set out below:

Name of Member	Members' Attendance
Mr. Ong King Keung (<i>Chairman</i>) (<i>appointed on 16 December 2014</i>)	1/1
Mr. Cheung Ting Kee (<i>appointed on 16 December 2014</i>)	1/1
Mr. Lee Tho Siem (<i>appointed on 16 December 2014</i>)	1/1

Corporate Governance Report

Remuneration Committee

Mr. Lee Tho Siem, Mr. Ong King Keung, Mr. Cheung Ting Kee, Mr. Keung Kwok Cheung and Mr. Tjia Boen Sien are the members of the Remuneration Committee and Mr. Lee Tho Siem is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management after consultation with the Chairman/Chief Executive Officer and access to professional advice, at the Company's expense, when necessary. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as the market practice and conditions. The Remuneration Committee normally meets towards at the end of each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors, independent non-executive Directors and senior management and other related matters. The Company's remuneration policy is to maintain fair and competitive remuneration packages based on business needs and market practice. Factors such as market rate, an individual's qualification, experience, performance and time commitment are taken into account during the remuneration package determination process.

As our Company was first listed on GEM on 8 January 2015, no Remuneration Committee meeting was held during the Period under Review. Since 31 March 2015 and up to the date of this annual report, one Remuneration Committee meeting was held on 22 June 2015 and reviewed the remuneration packages of the Directors and senior management. Recommendations have been made to the Board.

Details of attendance record of members of the Remuneration Committee are set out below:

Name of Member	Members' Attendance
Mr. Lee Tho Siem (<i>Chairman</i>) (<i>appointed on 16 December 2014</i>)	1/1
Mr. Tjia Boen Sien (<i>appointed on 16 December 2014</i>)	1/1
Mr. Keung Kwok Cheung (<i>appointed on 16 December 2014</i>)	1/1
Mr. Cheung Ting Kee (<i>appointed on 16 December 2014</i>)	1/1
Mr. Ong King Keung (<i>appointed on 16 December 2014</i>)	1/1

Nomination Committee

Mr. Lee Tho Siem, Mr. Ong King Keung, Mr. Cheung Ting Kee, Mr. Keung Kwok Cheung and Mr. Tjia Boen Sien are the members of the Remuneration Committee and Mr. Lee Tho Siem is the chairman of the committee. The primary objectives of the Nomination Committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience. The Nomination Committee also assesses the independence of independent non-executive Directors and make recommendation to the Board on the appointment and reappointment of Directors and succession planning for Directors. Candidates for appointment as Directors may be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest caliber in their area of expertise and experience.

Corporate Governance Report

As our Company was first listed on GEM on 8 January 2015, no Nomination Committee meeting was held during the Period under Review. Since 31 March 2015 and up to the date of this annual report, one Nomination Committee meeting was held on 22 June 2015 to review the structure, size and composition of the Board.

Details of attendance record of members of the Nomination Committee are set out below:

Name of Member	Members' Attendance
Mr. Lee Tho Siem (<i>Chairman</i>) (<i>appointed on 16 December 2014</i>)	1/1
Mr. Tjia Boen Sien (<i>appointed on 16 December 2014</i>)	1/1
Mr. Keung Kwok Cheung (<i>appointed on 16 December 2014</i>)	1/1
Mr. Cheung Ting Kee (<i>appointed on 16 December 2014</i>)	1/1
Mr. Ong King Keung (<i>appointed on 16 December 2014</i>)	1/1

Internal Control Committee

The Internal Control Committee is responsible for: (i) ensuring good corporate governance standards and practices are maintained by performing the duties set out in its terms of reference, (ii) reviewing and discussing solutions to regulatory compliance and internal control matters; and (iii) reviewing and implementing, and monitoring any non-compliance of the non-competition agreement entered into by Deson Development International Holdings Limited in favour of the Company dated 16 December 2014.

As our Company was first listed on GEM on 8 January 2015, no Internal Control Committee meeting was held during the Period under Review. Since 31 March 2015 and up to the date of this annual report, one Internal Control Committee meeting was held on 22 June 2015 to review this Corporate Governance Report, as well as to review the effectiveness of the Group's internal control system as further detailed in the "Internal Control" section in this report.

Details of attendance record of members of the Internal Control Committee are set out below:

Name of Member	Members' Attendance
Mr. Ong King Keung (<i>Chairman</i>) (<i>appointed on 16 December 2014</i>)	1/1
Mr. Cheung Ting Kee (<i>appointed on 16 December 2014</i>)	1/1
Mr. Lee Tho Siem (<i>appointed on 16 December 2014</i>)	1/1

Corporate Governance Report

Auditors' Remuneration

For the year ended 31 March 2015, the Group had engaged the Group's external auditors, Ernst & Young, to provide the following services, and their respective fees charged are set out as below:

Fee charged for the year ended 31 March 2015	HK\$
Types of services:	
Audit of the Group	2,110,000
Non-audit services — taxation services	71,000
Total	2,181,000

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors with reference to, and which is on terms no less exacting than, the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Specific enquiry has been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings throughout the Period under Review.

The Company has adopted the same code of conduct regarding securities transactions for its employees and for directors or employees of its subsidiaries and holding companies who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the code of conduct regarding securities transactions by employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for the financial year. Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Company's accounts are prepared in accordance with the Listing Rules, the Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Directors endeavor to ensure a balanced, clear and understandable assessment of the Company's position and prospect in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2015. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 33 to 34. Management of the Company is obligated to provide sufficient explanation and information to the Board so that it can make an informed assessment of financial and other relevant matters.

Corporate Governance Report

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. Internal control system policies and procedures are designed to identify and manage the risks that the Group may be exposed to, thereby providing reasonable assurance regarding the achievement of corporate objectives and the safeguarding of shareholder interests. Controls are monitored by periodic management review at least once every year. Internal financial systems also allow the Board to monitor the Group's overall financial position, to protect the Group's assets and to mitigate against material financial misstatement or loss. Through the Audit Committee and Internal Control Committee, the Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries during the Period under Review in accordance with the code provisions on internal control, and considered that the system was sound and adequate and implemented effectively. The review covered all material controls, including financial, operational and compliance controls, risk management functions, the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions.

INVESTOR RELATIONS

The Company is committed to maintaining an open and effective investor relations policy and to updating investors on relevant information/developments in a timely manner, subject to relevant regulatory requirements. Briefings and meetings with institutional investors and analysts are conducted from time to time. The Company also replied to any enquiries from shareholders in a timely manner. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The corporate website of the Company at www.deson-c.com provides a communication platform via which the public and investor community can access up-to-date information regarding the Company.

Shareholders may also send any enquiries, suggestions or concerns to the Board at any time through the Company Secretary, whose contact details are as follows:

Address : The Company Secretary,
Deson Construction International Holdings Limited,
11th Floor, Nanyang Plaza,
57 Hung To Road,
Kwun Tong,
Kowloon, Hong Kong

Email : info@deson-c.com

Telephone no. : 2570 1118

Fax no. : 3184 3401

The Company Secretary will forward such communications to the Board, the relevant Board committees and/or the Chief Executive Officer, as appropriate.

SHAREHOLDER RIGHTS

To ensure compliance with the CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least twenty clear business days before the annual general meeting. Voting at the forthcoming annual meeting will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the annual general meeting to ensure that shareholders are familiar with such procedures.

Corporate Governance Report

Poll results will be counted by Hong Kong Branch Registrar, Tricor Investor Services Limited and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as the chairmen of the Remuneration Committee, Nomination Committee, Audit Committee and Internal Control Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings. The Company will also arrange for the external auditors to attend the annual general meetings to answer relevant questions if necessary.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

In addition to regular Board meetings, the Board, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, may convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the Company Secretary, at the Company's head office at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The requisition must state the purposes of the meeting, and must be signed by the requisitioner(s). Shareholders may also use this same method to put forward proposals for the next general meeting.

During the Period under Review, there were no significant changes to the Company's constitutional documents.

SHAREHOLDERS COMMUNICATION POLICY

The Company has established a Shareholders Communication Policy to set out the Company's procedures in providing the shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and the investment community to engage actively with the Company.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Keung Kwok Cheung (姜國祥) (“Mr. Keung”), aged 57, is the chief executive officer and an executive Director of the Company since December 2014. He is also a member of both the remuneration and nomination committees of the Board. Mr. Keung is primarily in charge of the Group’s overall corporate strategy and daily operations, including business development and overall management. He is the Technical Director and an Authorised Signatory for Deson Development Limited as a Registered General Building Contractor with the Buildings Department since 1999.

Mr. Keung has over 33 years of experience in the fields of civil, structural and building engineering and in the management of large-scale projects.

Mr. Keung was awarded with an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1982 and graduated from the University of Macau (formerly known as University of East Asia, Macau) with the Master of Business Administration in January 1991. He was admitted as a fellow member of The Hong Kong Institute of Directors in September 2004.

Kwok Koon Keung (郭冠強) (“Mr. Kwok”), aged 48, is an executive Director of the Company since December 2014. Mr. Kwok is primarily responsible for the building and fitting-out works division of the Group and further responsible for the planning and coordination of projects, which covers the coordination of engineering resources, progress monitoring and work performance. Mr. Kwok has over 19 years of experience in the building industry.

Mr. Kwok graduated from the London South Bank University (formerly known as South Bank University) with a Bachelor of Science degree with distinction in June 1992. He is a professional associate of The Royal Institution of Chartered Surveyors since November 1997.

Lo Wing Ling (羅永寧) (“Mr. Lo”), aged 56, is an executive Director of the Company since December 2014. Mr. Lo is in charge of the electrical and mechanical engineering division of our Group, responsible for the planning and co-ordination of projects, which cover the coordination of engineering resources, progress monitoring and work performance. Mr. Lo has over 30 years of experience in environmental engineering and building service work. Mr. Lo joined the Group in August 2000 as the director of Kenworth Engineering Limited. Mr. Lo is the Technical Director and an Authorised Signatory for Kenworth Engineering Limited as a Registered Specialist Contractor (Ventilation) with the Buildings Department since 2000 and 2001 respectively.

Mr. Lo graduated from the University of Hong Kong with a Bachelor of Science degree in Engineering in November 1981 and through part-time studies, graduated from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) with a Bachelor of Arts degree in Business Studies in November 1990. He has also studied as an external student and obtained a Master of Science degree in Environmental Management from the University of London in December 2003.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Tjia Boen Sien (謝文盛) (“Mr. Tjia”), aged 71, is the chairman and non-executive Director of the Company since December 2014. He is also a member of both the remuneration and nomination committees of the Board. He has over 27 years of experience in the building industry in the PRC and Hong Kong. Mr. Tjia is one of the co-founders of the DDIHL Group (including the Group). Mr. Tjia is primarily responsible for a consultative role in matters concerning our Group and is not involved in the day-to-day management of our Group.

Mr. Tjia graduated from chemistry studies at the Huaqiao University (華僑大學) in the PRC in July 1966. He was admitted as member of The Chartered Institute of Building in November 1996 and is a professional member of The Royal Institution of Chartered Surveyors since October 2002. Mr. Tjia previously served as the vice chairman and honorable member of the Zhan Tian You Civil Engineering Science and Technology Development Fund Management Committee (詹天佑土木工程科學技術發展基金管理委員會).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Ting Kee, (張廷基) (“Mr. Cheung”), aged 46, is an independent non-executive Director of the Company since December 2014. He is also a member of the remuneration, nomination, audit and internal control committees of the Board. Mr. Cheung has over 19 years of working experience in the securities industry including equity research, equity sales, fund management and corporate finance. Mr. Cheung is currently the sole director and a responsible officer of a Hong Kong company being a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO.

Mr. Cheung obtained a Bachelor of Business Administration degree and a Master in Professional Accounting.

Lee Tho Siem, (李多森) (“Mr. Lee”), aged 75, is an independent non-executive Director of the Company since December 2014. He is also the chairman of the remuneration and nomination committees and a member of the audit and internal control committees of the Board. He has over 38 years of experience in the banking industry. He worked in Hua Chiao Commercial Bank Limited from September 1963 to November 2001 and was appointed as a director and acting general manager in January 2000.

Ong King Keung, (王競強) (“Mr. Ong”), aged 39, is an independent non-executive Director of the Company since December 2014. He is also the chairman of the audit and internal control committees and a member of the remuneration and nomination committees of the Board. He has over 15 years of experience in the auditing and accounting industry. Mr. Ong is currently the company secretary of Unity Investments Holdings Limited (Stock Code: 00913). Mr. Ong obtained a Bachelor of Arts degree in Accountancy from The Hong Kong Polytechnic University in November 1998 and a Master of Science degree in Finance from the City University of Hong Kong in November 2007. Mr. Ong has been a fellow of the Association of Chartered Certified Accountants since October 2007 and a fellow of the Hong Kong Institute of Certified Public Accountants since June 2010.

Mr. Ong is an independent non-executive director of China Water Affairs Group Limited (Stock Code 855) and was an independent non-executive director of China Environmental Energy Investment Limited (Stock Code 986) from March 2013 to August 2014.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Yeung Yam Chi (楊蔭之) (“Mr. Yeung”), aged 53, is the general manager of our Group. Mr. Yeung joined our Group in April 1994 and has over 21 years of experience in the field of civil and structural engineering, interior fitting-out and decoration works. He is responsible for the Group’s construction projects in Hong Kong and the PRC, in particular, progress monitoring and quality assurance, site co-ordination, submission of government documents, liaison with clients, architects, sub-contractors and consultants and also provide technical review of the sub-contractors’ standard and qualification. Mr. Yeung is an Authorised Signatory for Deson Development Limited as a Registered General Building Contractor with the Buildings Department since 1999. Mr. Yeung obtained a Diploma in Civil Engineering from Hong Kong Baptist University in July 1985 and a Master of Engineering Degree from The University of Sheffield in January 1987.

Chan Chi Kwong (陳志光) (“Mr. Chan”), aged 52, is a project director of our Group. Mr. Chan joined our Group in July 1992 and has over 23 years of experience in the field of civil and structural engineering. He is responsible for our Group’s construction projects in Hong Kong. He is an Authorised Signatory for Deson Development Limited as Registered General Building Contractor with the Buildings Department since 1999. Mr. Chan obtained a Bachelor of Science Degree in construction management from the University of Wolverhampton in October 2003. He was admitted as an associate member of The Chartered Institute of Building in January 1995.

Lee Kai Ming (李啟明) (“Mr. Lee”), aged 56, is a senior project manager of our Group. Mr. Lee joined our Group in August 1997 and is now responsible for all our building services projects in Hong Kong. Mr. Lee is a Technical Director for Kenworth Engineering Limited as a Registered Specialist Contractor (ventilation) with the Buildings Department since 2002. Mr. Lee has over 18 years of experience in the field of building services and engineering.

Mr. Lee has obtained a Higher Diploma in Mechanical Engineering and an Endorsement Certificate in Building Services from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1982 and November 1988 respectively. He has passed the Engineering Council Examination Part 2 subjects by The Engineering Council in July 1985. Mr. Lee is a member of The Chartered Institution of Building Services Engineers since February 1987 and was authorized as a chartered engineer under The Engineering Council since February 1988. He is a member of The Hong Kong Institution of Engineers since June 1991. Furthermore, Mr. Lee is registered as a Registered Professional Engineer (Building Services) with the Engineering Registration Board since April 2011.

Tong Ka Ming, Patrick (唐家明) (“Mr. Tong”), aged 49, is the financial controller and company secretary of our Group. Mr. Tong joined the Group in July 2014 and is responsible for accounting, finance, listing compliance and company secretarial. He has over 22 years of experience in auditing, accounting and financial management.

Mr. Tong has obtained a Bachelor of Science degree in Business Studies from the University of Bradford in July 1990 and a Master of Commerce degree in Finance with Languages from the University of Sydney in October 1999. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since July 1995.

Li Ngan Mei, May (李銀美) (“Ms. Li”), aged 54, is the administration manager of our Group. Ms. Li joined our Group in December 1988 and has over 27 years of experience in dealing with personnel and administration matters. She is in charge of our Group’s administrative and human resources matters including the overseeing of the administrative department, which is responsible for maintenance and renewal of our licences, permits and qualifications.

Report of the Directors

The Directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged as a contractor in the construction business to provide building construction works, electrical and mechanical engineering works and alterations, addition, renovation, refurbishment and fitting-out works, mainly in Hong Kong and Mainland China.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 March 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 99.

In December 2014, Deson Development Limited ("**DDL**"), a subsidiary of the Group, declared and paid a dividend of HK\$200 million to Deson Development Holdings Limited ("**DDHL**"), the then shareholder of DDL. DDHL used the amount received from the dividend to pay for and set off against part of the net amount due by DDHL to DDL.

In December 2014, the Company declared a special dividend of HK\$35 million to DDHL, the Company's then shareholder who owned the shareholding of 90.1% in the Company. The special dividend was set off against part of the net amount due by DDHL to the Company. Huge Energy Holdings Limited, the Company's then shareholder who owned the shareholding of 9.9% in the Company, waived the receipt of such special dividend pursuant to the terms of the subscription agreement dated 1 August 2014 which it agreed that it was not entitled to dividend arising from the Reorganization.

The Board recommends the payment of a final dividend of HK\$0.5 cent per ordinary share in issue for the year ended 31 March 2015.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 32.

SHARE CAPITAL

Details of movements in the share capital during the year are set out in note 27 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2015, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to HK\$19,031,000 of which HK\$4,000,000 has been proposed as a final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the Period under Review, sales to the Group's five largest customers accounted for approximately 55% (2014: 54%) of the total sales for the year and sales to the largest customer included therein amounted to 25% (2014: 15%). Purchases from the Group's five largest suppliers accounted for approximately 29% (2014: 30%) of the total purchases for the year and purchases from the largest customer included therein amounted to 7% (2014: 11%).

None of the Directors of the Company or any of their associates (as defined in the GEM Listing Rules) or any other shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Keung Kwok Cheung^{a, b}, *Chief Executive Officer (appointed on 18 July 2014)*

Mr. Kwok Koon Keung *(appointed on 25 July 2014)*

Mr. Lo Wing Ling *(appointed on 25 July 2014)*

Non-executive Director

Mr. Tjia Boen Sien^{a, b}, *Chairman (appointed on 18 July 2014)*

Independent Non-executive Directors

Mr. Lee Tho Siem^{a, b, c & d} *(appointed on 16 December 2014)*

Mr. Cheung Ting Kee^{a, b, c & d} *(appointed on 16 December 2014)*

Mr. Ong King Keung^{a, b, c & d} *(appointed on 16 December 2014)*

^a Remuneration committee member

^b Nomination committee member

^c Audit committee member

^d Internal control member

All our Directors, including non-executive and independent non-executive Directors are subject to retirement by rotation according to the Company's articles of association and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules as at 31 March 2015 and the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's board of Directors with reference to Director's duties, responsibilities and performance and the results of the Group.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No Directors of the Company had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Save as disclosed under the heading "Continuing connected transactions" below and "Related party transactions" in note 32 to the financial statements, there is no contract of significance to the business of the Group between the Company, or any of its subsidiary companies, or a controlling shareholder or any of its subsidiaries, to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a part, during the year. During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries was made.

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 March 2015, 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 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 Director	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Kwok Koon Keung	200	—	200	0.00%
Mr. Tjia Boen Sien ("Mr. Tjia")	9,154,880	251,365,947 (Note 1)	260,520,827	65.13%

Note:

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 46,658,000 shares in the Company and it beneficially owned 233,290,000 shares in Deson Development International Holdings Limited ("DDIHL"), representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Mr.

Report of the Directors

Tjia is deemed to be interested in 251,365,947 shares in the Company (being aggregate of 46,658,000 shares in the Company held by Sparta Assets and 204,707,947 shares in the Company indirectly owned by DDIHL (through Deson Development Holdings Limited (“DDHL”) which Sparta Assets is deemed to be interested in)).

B. Long positions in the ordinary shares of associated corporation – Deson Development International Holdings Limited (“DDIHL”)

Number of ordinary shares held, capacity and nature of interest

Name of Director	Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Tjia	45,774,400	233,290,000 (Note 1)	279,064,400	42.81%
Mr. Keung Kwok Cheung	200,000	—	200,000	0.03%
Mr. Kwok Koon Keung	1,000	—	1,000	0.00%
Mr. Lee Tho Siem	1,190,000 (Note 2)	—	1,190,000	0.18%

Notes:

- Mr. Tjia beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. Sparta Assets directly beneficially owned 233,290,000 shares in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 233,290,000 shares in DDIHL held by Sparta Assets.
- Mr. Lee Tho Siem directly beneficially owned 740,000 shares and is deemed interested in 450,000 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.

As at 31 March 2015, 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 March 2015, 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.

Report of the Directors

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

As at 31 March 2015, 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	204,707,947	51.18%
DDIHL	Interest in controlled corporation (<i>Note 1</i>)	204,707,947	51.18%
Sparta Assets	Beneficial owner	46,658,000	11.66%
	Interest in controlled corporations (<i>Note 2</i>)	204,707,947	51.18%
Huge Energy Holdings Limited	Beneficial owner	23,074,000	5.77%
Capital VC Limited	Interest in controlled corporation (<i>Note 3</i>)	23,074,000	5.77%

Notes:

1. DDHL is a company incorporated in the BVI and is wholly owned by DDIHL. DDIHL is deemed interested in the shares beneficially owned by DDHL.
2. Sparta Assets directly beneficially owned 233,290,000 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 204,707,947 shares indirectly owned by DDIHL (through DDHL).
3. Huge Energy Holdings Limited ("**HEHL**") is a company incorporated in the BVI and is wholly owned by Capital VC Limited ("**Capital VC**"), a company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange (Main Board, stock code: 02324). By virtue of the SFO, Capital VC is deemed to be interested in 23,074,000 shares held by HEHL.
4. Save as disclosed above, at 31 March 2015, 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 BUSINESSES

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders 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.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited, as at 31 March 2015, 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 during the period from the Listing Date to 31 March 2015.

CONTINUING CONNECTED TRANSACTIONS

Administrative Services Agreement

On 16 December 2014, Grand On Enterprise Limited ("**Grand On**"), a wholly-owned indirect subsidiary of DDHL, which is a controlling shareholder of our 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 with effect 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 ending 31 March 2015, 2016 and 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 ending 31 March 2015, 2016 and 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 on 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 ending 31 March 2015, 2016 and 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.

NON-COMPETITION UNDERTAKING BY DDIHL

DDIHL entered into a non-competition agreement (the "**Agreement**") with the Company on 16 December 2014. Pursuant to the Agreement, DDIHL undertakes that the Remaining Group will not, inter alia, engage in construction and engineering contracting business, as a contractor, interior design, fitting-out, renovation works, as well as the provision of electrical and mechanical engineering services. For details about the above-mentioned Agreement, please refer to section headed "Relationship with the Remaining Group" in the Prospectus dated 24 December 2014 for details.

Report of the Directors

DDIHL has confirmed to the Company of its compliance with the Agreement. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Agreement have been complied by DDIHL and duly enforced since the Listing Date and up to the date of this annual report.

PARTICULARS OF PROPERTIES

The investment properties of the Group are as follows:

Location	Attributable interest of the Group	Group's Tenure	Current use	Lease term	Gross floor area
Unit 2-31 on Level 11 and carpark space no. B37 on basement 2 block D, Fu Hua Mansion, 8 Beida Street, Chaoyangmen, Dongcheng District, Beijing, The PRC	60%	The properties are held for a term expiring on 14 January 2044	Commercial	Long term	The total gross floor area is 267.77 sq. m.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the period from the Listing Date to 31 March 2015 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's articles of association or the law of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 17 August 2015 to 19 August 2015, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on 14 August 2015.

AUDITORS

Ernst & Young will retire and, being eligible, offer themselves for reappointment. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting. There has been no change in the Company's auditors in any of the preceding three years.

Keung Kwok Cheung

Chief Executive Officer and Executive Director
Hong Kong, 22 June 2015



Independent Auditors' Report

To the shareholders of Deson Construction International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Deson Construction International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 99, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

22/F
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

22 June 2015

Consolidated Statement of Profit or Loss

Year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
REVENUE	5	750,075	825,379
Cost of sales		(707,288)	(778,333)
Gross profit		42,787	47,046
Other income	5	5,077	12,287
Fair value gain on investment properties		875	635
Administrative expenses		(49,919)	(39,468)
Other operating income/(expenses), net		336	(118)
Finance costs	7	(492)	(22)
PROFIT/(LOSS) BEFORE TAX	6	(1,336)	20,360
Income tax expense	10	(3,447)	(4,408)
PROFIT/(LOSS) FOR THE YEAR		(4,783)	15,952
Attributable to:			
Owners of the Company	11	(3,977)	15,946
Non-controlling interests		(806)	6
		(4,783)	15,952
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		HK(0.50) cent	HK1.99 cents

Details of the dividends paid and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
PROFIT/(LOSS) FOR THE YEAR		(4,783)	15,952
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(285)	(55)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of leasehold land and buildings	14	9,411	10,944
Income tax effect	26	(1,553)	(1,806)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		7,858	9,138
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		7,573	9,083
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,790	25,035
Attributable to:			
Owners of the Company		3,647	25,029
Non-controlling interests		(857)	6
		2,790	25,035

Consolidated Statement of Financial Position

31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	19,159	143,850
Investment properties	15	11,656	10,875
Total non-current assets		30,815	154,725
CURRENT ASSETS			
Gross amount due from contract customers	17	25,304	7,563
Amounts due from related companies	24	6,196	5,115
Amounts due from fellow subsidiaries	24	28	943,410
Accounts receivable	18	54,626	68,906
Prepayments, deposits and other receivables	19	13,467	12,952
Pledged deposits	20	29,674	27,863
Cash and cash equivalents	20	30,812	69,263
Total current assets		160,107	1,135,072
CURRENT LIABILITIES			
Gross amount due to contract customers	17	88,455	87,845
Accounts payable	21	18,994	44,895
Other payables and accruals	22	25,806	22,607
Amount due to a non-controlling shareholder	23	1,500	1,500
Amounts due to fellow subsidiaries	24	30	793,641
Tax payable		2,083	1,278
Interest-bearing bank borrowings	25	20,761	48,182
Total current liabilities		157,629	999,948
NET CURRENT ASSETS		2,478	135,124
TOTAL ASSETS LESS CURRENT LIABILITIES		33,293	289,849
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	—	15,117
Deferred tax liabilities	26	5,035	22,968
Total non-current liabilities		5,035	38,085
Net assets		28,258	251,764

continued/...

Consolidated Statement of Financial Position

31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	20,000	—
Reserves	28(a)	(708)	245,941
Proposed final dividend	12	4,000	—
		23,292	245,941
Non-controlling interests		4,966	5,823
Total equity		28,258	251,764

Keung Kwok Cheung
Director

Kwok Koon Keung
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2015

	Attributable to owners of the Company												
	Notes	Issued capital	Share premium	Contribution surplus	Property revaluation reserve	Merger reserve	Exchange fluctuation reserve	Reserve funds	Retained profits/ (Accumulated loss)	Proposed final dividend	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013		–	–	–	105,732	40,000	5,273	4,460	65,112	–	220,577	5,817	226,394
Profit for the year		–	–	–	–	–	–	–	15,946	–	15,946	6	15,952
Other comprehensive income for the year:													
Surplus on revaluation of leasehold land and buildings, net of tax		–	–	–	9,138	–	–	–	–	–	9,138	–	9,138
Exchange differences on translation of foreign operations		–	–	–	–	–	(55)	–	–	–	(55)	–	(55)
Total comprehensive income for the year		–	–	–	9,138	–	(55)	–	15,946	–	25,029	6	25,035
Transfer to reserve		–	–	–	–	–	–	335	–	–	335	–	335
Release of revaluation reserve		–	–	–	(3,328)	–	–	–	3,328	–	–	–	–
At 31 March 2014		–	–	–	111,542*	40,000*	5,218*	4,795*	84,386*	–	245,941	5,823	251,764
At 31 March 2014 and 1 April 2014		–	–	–	111,542	40,000	5,218	4,795	84,386	–	245,941	5,823	251,764
Loss for the year		–	–	–	–	–	–	–	(3,977)	–	(3,977)	(806)	(4,783)
Other comprehensive income for the year:													
Surplus on revaluation of leasehold land and buildings, net of tax		–	–	–	7,858	–	–	–	–	–	7,858	–	7,858
Exchange differences on translation of foreign operations		–	–	–	–	–	(234)	–	–	–	(234)	(51)	(285)
Total comprehensive income/(expense) for the year		–	–	–	7,858	–	(234)	–	(3,977)	–	3,647	(857)	2,790
Release of revaluation reserve upon disposal of a leasehold land and building		–	–	–	(121,696)	–	–	–	121,696	–	–	–	–
Release of deferred tax liability upon disposal of a leasehold land and building		–	–	–	19,695	–	–	–	–	–	19,695	–	19,695
Release of revaluation reserve		–	–	–	(1,754)	–	–	–	1,754	–	–	–	–
Transfer to reserve		–	–	–	–	–	–	786	(786)	–	–	–	–
Issue of shares and the Reorganisation	27(ii)	17,500	–	(5,372)	–	(40,000)	–	–	–	–	(27,872)	–	(27,872)
Issue of new shares by the Placing	27(iii)	2,500	16,750	–	–	–	–	–	–	–	19,250	–	19,250
Share issue expenses		–	(2,369)	–	–	–	–	–	–	–	(2,369)	–	(2,369)
Special interim 2015 dividends	12	–	–	–	–	–	–	–	(235,000)	–	(235,000)	–	(235,000)
Proposed final 2015 dividend	12	–	–	–	–	–	–	–	(4,000)	4,000	–	–	–
At 31 March 2015		20,000	14,381*	(5,372)*	15,645*	–*	4,984*	5,581*	(35,927)*	4,000	23,292	4,966	28,258

* These reserve accounts comprise the consolidated negative reserves of HK\$708,000 (2014: reserves of HK\$245,941,000) in the consolidated statement of financial position as at 31 March 2015.

The reserve funds of the Group include statutory reserves required to be appropriated from the profit after tax of the Company's subsidiaries in Mainland China under the laws and regulations of the People's Republic of China ("PRC"). The amount of the appropriation is at the discretion of these subsidiaries' boards of directors.

Consolidated Statement of Cash Flows

Year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(1,336)	20,360
Adjustments for:			
Finance costs	7	492	22
Interest income	5	(299)	(192)
Reversal of unclaimed liabilities	6	(2,460)	(4,188)
Fair value gain on investment properties	15	(875)	(635)
Loss on disposal of items of property, plant and equipment	6	309	39
Depreciation	6	2,675	5,010
Impairment/(reversal of impairment) of other receivables	6	(625)	64
Impairment of accounts receivable	6	—	15
		(2,119)	20,495
Decrease/(increase) in gross amount due from contract customers		(16,264)	1,904
Decrease/(increase) in accounts receivable		14,271	(12,269)
Decrease/(increase) in prepayments, deposits and other receivables		84	(4,457)
Increase in gross amount due to contract customers		610	29,623
Increase/(decrease) in accounts payable		(23,450)	18,150
Increase in other payables and accruals		3,291	1,593
Cash generated from/(used in) operations		(23,577)	55,039
Interest paid		(2,123)	(826)
Hong Kong tax paid		(800)	—
Overseas tax paid		(1,562)	(1,864)
Net cash flows from/(used in) operating activities		(28,062)	52,349
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		299	192
Purchases of items of property, plant and equipment		(282)	(259)
Proceeds from disposal of items of property, plant and equipment		—	3
Increase in pledged deposits		(1,811)	(89)
Net cash flows used in investing activities		(1,794)	(153)

continued/...

Consolidated Statement of Cash Flows

Year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		31,370	—
Share issue expenses		(2,369)	—
New bank borrowings		16,992	27,428
Repayment of bank and other borrowings		(38,172)	(34,508)
Movement in balances with a related company, net		(1,081)	(696)
Movement in balances with fellow subsidiaries		(18,872)	7,649
Net cash flows used in financing activities		(12,132)	(127)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		69,253	17,251
Effect of foreign exchange rate changes, net		(105)	(67)
CASH AND CASH EQUIVALENTS AT END OF YEAR		27,160	69,253
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents stated in the statement of financial position	20	30,812	69,263
Bank overdrafts, secured	25	(3,652)	(10)
Cash and cash equivalents as stated in the statement of cash flows		27,160	69,253

Statement of Financial Position

31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	39,376	—
CURRENT ASSETS			
Cash and cash equivalents	20	8	—
CURRENT LIABILITIES			
Accruals	22	353	—
NET CURRENT LIABILITIES			
		(345)	—
Net assets			
		39,031	—
EQUITY			
Issued capital	27	20,000	—
Reserves	28(b)	15,031	—
Proposed final dividend	12	4,000	—
Total equity			
		39,031	—

Keung Kwok Cheung
Director

Kwok Koon Keung
Director

Notes to Financial Statements

31 March 2015

1. CORPORATE INFORMATION AND GROUP REORGANISATION

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 and Mainland China and other construction related business.

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 of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group on 16 December 2014. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 24 December 2014 (the “Prospectus”).

In the opinion of the directors of the Company, Deson Development Holdings Limited, a company incorporated in the British Virgin Islands 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, is the ultimate holding company of the Company.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, the companies now comprising the Group were under the common control of the controlling shareholder before and after the Reorganisation. Accordingly, these financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the financial periods presented.

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 which, because the Company has not early adopted the revised Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) issued by the Stock Exchange, are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, and investment properties, 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.

Notes to Financial Statements

31 March 2015

2.1 BASIS OF PRESENTATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC) — Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010–2012 Cycle</i>	<i>Definition of Vesting Condition</i> ¹
Amendment to HKFRS 3 included in <i>Annual Improvements 2010–2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination</i> ¹
Amendment to HKFRS 13 included in <i>Annual Improvements 2010–2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011–2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

¹ Effective from 1 July 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Other than explained below, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

- (a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.
- (b) The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.
- (c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.
- (d) HK(IFRIC) — Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC) — Int 21.
- (e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

Notes to Financial Statements

31 March 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.
- (g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> ⁴
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ²
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 1	<i>Disclosure Initiative</i> ²
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ²
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ²
<i>Annual Improvements 2010–2012 Cycle</i>	Amendments to a number of HKFRSs ¹
<i>Annual Improvements 2011–2013 Cycle</i>	Amendments to a number of HKFRSs ¹
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs ²

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

⁵ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

2.3 NEW AND REVISED HKFRSs NOT YET ADOPTED (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 April 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 April 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Notes to Financial Statements

31 March 2015

2.3 NEW AND REVISED HKFRSs NOT YET ADOPTED (CONTINUED)

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. The Group expects to adopt the amendments from 1 April 2016.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The Annual Improvements to HKFRSs 2010–2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 April 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments most applicable to the Group 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries (Continued)

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Fair value measurement

The Group measures its leasehold land and buildings classified as property, plant and equipment and investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to Financial Statements

31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Notes to Financial Statements

31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the property revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis or reducing balance basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	15% on the reducing balance basis
Office equipment	15% on the reducing balance basis
Tools and equipment	15% on the reducing balance basis
Motor vehicles	15% on the reducing balance basis

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Notes to Financial Statements

31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, other payables and accruals, amounts due to a non-controlling shareholder and a fellow subsidiary and interest-bearing bank borrowings.

Notes to Financial Statements

31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents (Continued)

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

Notes to Financial Statements

31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (d) management fee income, when the services are rendered.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

Share-based compensation

The Company's ultimate holding company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants including all directors of the Company.

The cost of equity-settled transactions with these directors is measured by reference to the fair value using an option pricing model at the date at which they are granted, unless the directors consider such cost of equity-settled transactions to be insignificant to the results of the Company.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to Financial Statements

31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Notes to Financial Statements

31 March 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Estimates regarding the realisability of deferred tax assets

Estimating the amount for deferred tax assets arising from tax losses requires a process that involves determining appropriate provisions for taxation, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future taxable profits. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of the unrecognised tax losses of the Group are set out in note 26 to the financial statements.

Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

Impairment of accounts receivable

Impairment of accounts receivable is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

Notes to Financial Statements

31 March 2015

4. 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*

	2015 HK\$'000	2014 HK\$'000
Hong Kong	583,618	644,825
Mainland China	164,299	158,331
Macau	2,158	22,223
	750,075	825,379

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

(b) *Non-current assets*

	2015 HK\$'000	2014 HK\$'000
Hong Kong	19,034	143,732
Mainland China	11,781	10,993
	30,815	154,725

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\$191,203,000 (2014: HK\$123,717,000) 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.

Notes to Financial Statements

31 March 2015

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue from construction contracting and related business.

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

	2015 HK\$'000	2014 HK\$'000
Revenue		
Income from construction contracting and related business	750,075	825,379
Other income		
Bank interest income	299	192
Management fee income	213	6,156
Gross rental income	879	907
Others	3,686	5,032
	5,077	12,287

Notes to Financial Statements

31 March 2015

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2015 HK\$'000	2014 HK\$'000
Cost of construction contracting		707,288	778,333
Auditors' remuneration		2,110	902
Depreciation	14	2,675	5,010
Minimum lease payments under operating leases on land and buildings		1,508	995
Loss on disposal of items of property, plant and equipment [^]		309	39
Rental income on investment properties		(675)	(601)
Less: outgoings		35	36
Rental income		(640)	(565)
Employee benefit expense (including directors' remuneration — note 8):			
Wages and salaries		32,771	30,811
Pension scheme contributions*		1,019	870
Less: Amount capitalised		(10,759)	(7,792)
		23,031	23,889
Listing and related expenses (including HK\$1,000,000 included in "Auditors' remuneration" above)		12,621	—
Foreign exchange differences, net [^]		(20)	—
Reversal of unclaimed liabilities		(2,460)	(4,188)
Impairment of accounts receivable [^]	18	—	15
Impairment/(reversal of impairment) of other receivables [^]	19	(625)	64

* At 31 March 2015, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2014: Nil).

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

Notes to Financial Statements

31 March 2015

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years and total interest expense on financial liabilities not at fair value through profit or loss	2,123	826
Less: Interest capitalised	(1,631)	(804)
	492	22

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Fees	140	—
Other emoluments:		
Salaries, bonuses and allowances	4,155	3,819
Pension scheme contributions	101	90
	4,396	3,909

Notes to Financial Statements

31 March 2015

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Non-executive director and independent non-executive directors

	Fees HK\$'000	Salaries, bonuses and allowances HK\$'000	Total remuneration HK\$'000
2015			
Independent non-executive directors:			
Lee Tho Siem	35	—	35
Cheung Ting Kee	35	—	35
Ong King Keung	35	—	35
	105	—	105
Non-executive director:			
Tjia Boen Sien	35	331	366
	140	331	471
2014			
Non-executive director:			
Tjia Boen Sien	—	420	420
	—	420	420

There were no other emoluments payable to the non-executive director and independent non-executive directors during the year (2014: Nil).

Notes to Financial Statements

31 March 2015

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors

	Salaries, bonuses and allowances HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2015			
Mr. Keung Kwok Cheung ("Mr. Keung")*	1,746	65	1,811
Mr. Kwok Koon Keung	1,068	18	1,086
Mr. Lo Wing Ling	1,010	18	1,028
	3,824	101	3,925
2014			
Mr. Keung Kwok Cheung	1,557	60	1,617
Mr. Kwok Koon Keung	986	15	1,001
Mr. Lo Wing Ling	856	15	871
	3,399	90	3,489

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

* Mr. Keung is also the chief executive of the Group as defined in the GEM Listing Rules.

9. FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGER

The five highest paid employees during the year included three (2014: three) directors and the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2014: two) non-directors, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group 2015 HK\$'000	2014 HK\$'000
Salaries, bonuses and allowances	2,069	1,962
Pension scheme contributions	78	74
	2,147	2,036

Notes to Financial Statements

31 March 2015

9. FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGER (CONTINUED)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	2	1
	2	2

Other than the directors' remuneration and five highest paid employees disclosed above, the amounts paid to the senior management as disclosed in the "biographical details of directors and senior management" section were as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Salaries and allowances	1,882	1,149
Pension schemes contributions	46	30
	1,928	1,179

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year (2014: 16.5%), 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.

	Group	
	2015 HK\$'000	2014 HK\$'000
Current — Hong Kong		
Charge for the year	2,144	1,646
Overprovision in prior years	(32)	—
Current — Elsewhere		
Charge for the year	916	2,603
Underprovision in prior years	194	—
Deferred (note 26)	225	159
Total tax charge for the year	3,447	4,408

Notes to Financial Statements

31 March 2015

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Profit/(loss) before tax	(1,336)	20,360
Tax at the statutory tax rate of 16.5% (2014: 16.5%)	(220)	3,359
Effect of different rates for companies operating in other jurisdictions	(211)	518
Adjustments in respect of current tax of previous periods	162	—
Income not subject to tax	(175)	(810)
Expenses not deductible for tax	2,752	1,219
Tax losses utilised from previous periods	(195)	(593)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	299	—
Tax losses and temporary differences not recognised	1,069	702
Others	(34)	13
Tax charge at the Group's effective rate of 258% (2014: 21.7%)	3,447	4,408

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2015 include a loss of HK\$12,350,000 (2014: Nil) which have been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2015	2014
	HK\$'000	HK\$'000
First special interim (Note (a))	200,000	—
Second special interim (Note (b))	35,000	—
Proposed final — HK0.5 cent per Subdivided Share	4,000	—
	239,000	—

Notes:

- (a) On 4 December 2014, a subsidiary of the Group declared and paid a dividend of HK\$200,000,000 to a former immediate holding company (before the Reorganisation) pursuant to the Reorganisation.
- (b) On 16 December 2014, the Company declared and paid a dividend of HK\$35,000,000 to a former immediate holding company (before the Reorganisation) pursuant to the Reorganisation.

The proposed final dividend for the year is subject to the approval of the Company's shareholders on the forthcoming annual general meeting.

Notes to Financial Statements

31 March 2015

13. 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 number of ordinary shares of 800,000,000 (2014: 800,000,000) in issue during the year, after taking into account the Share Sub-division which was effective from 4 June 2015 and as if the Reorganisation had been effective since 1 April 2013.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for years ended 31 March 2015 and 2014 in respect of a dilution as the Group has no potential dilutive ordinary shares issued during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Tools and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 March 2015							
At 31 March 2014 and at 1 April 2014:							
Cost or valuation	141,400	1,016	2,218	3,926	2,003	6,023	156,586
Accumulated depreciation	—	(1,016)	(1,957)	(3,301)	(1,942)	(4,520)	(12,736)
Net carrying amount	141,400	—	261	625	61	1,503	143,850
At 1 April 2014, net of accumulated depreciation	141,400	—	261	625	61	1,503	143,850
Additions	—	104	—	134	2	42	282
Disposals	(131,400)	—	(2)	(74)	(4)	(229)	(131,709)
Surplus on revaluation	9,411	—	—	—	—	—	9,411
Depreciation provided during the year	(2,211)	(23)	(49)	(131)	(15)	(246)	(2,675)
At 31 March 2015	17,200	81	210	554	44	1,070	19,159
At 31 March 2015:							
Cost or valuation	17,200	1,120	2,218	1,792	1,484	2,811	26,625
Accumulated depreciation	—	(1,039)	(2,008)	(1,238)	(1,440)	(1,741)	(7,466)
Net carrying amount	17,200	81	210	554	44	1,070	19,159
Analysis of cost or valuation:							
At cost	—	1,120	2,218	1,792	1,484	2,811	9,425
At valuation	17,200	—	—	—	—	—	17,200
	17,200	1,120	2,218	1,792	1,484	2,811	26,625

Notes to Financial Statements

31 March 2015

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Tools and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 March 2014							
At 1 April 2013:							
Cost or valuation	134,800	1,016	2,218	3,773	1,983	6,037	149,827
Accumulated depreciation	—	(992)	(1,835)	(3,219)	(1,929)	(4,156)	(12,131)
Net carrying amount	134,800	24	383	554	54	1,881	137,696
At 1 April 2013, net of accumulated depreciation	134,800	24	383	554	54	1,881	137,696
Additions	—	—	—	211	20	28	259
Disposals	—	—	—	(17)	—	(25)	(42)
Surplus on revaluation	10,944	—	—	—	—	—	10,944
Depreciation provided during the year	(4,344)	(25)	(122)	(123)	(13)	(383)	(5,010)
Exchange realignment	—	1	—	—	—	2	3
At 31 March 2014	141,400	—	261	625	61	1,503	143,850
At 31 March 2014:							
Cost or valuation	141,400	1,016	2,218	3,926	2,003	6,023	156,586
Accumulated depreciation	—	(1,016)	(1,957)	(3,301)	(1,942)	(4,520)	(12,736)
Net carrying amount	141,400	—	261	625	61	1,503	143,850
Analysis of cost or valuation:							
At cost	—	1,016	2,218	3,926	2,003	6,023	15,186
At valuation	141,400	—	—	—	—	—	141,400
	141,400	1,016	2,218	3,926	2,003	6,023	156,586

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Peak Vision Appraisals Limited, independent professionally qualified valuers, at an aggregate open market value of HK\$17,200,000 (2014: HK\$141,400,000) based on their existing use.

A revaluation surplus of HK\$9,411,000 (2014: HK\$10,944,000) resulting from the revaluation has been credited to other comprehensive income.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK\$1,642,000 (2014: HK\$13,337,000).

Pursuant to the Reorganisation, a leasehold land and building was disposed of to a fellow subsidiary of the Group at its carrying amount of HK\$131,400,000 on 21 November 2014.

Notes to Financial Statements

31 March 2015

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of the leasehold land and buildings are as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Long term lease:		
Hong Kong	17,200	13,000
Medium term leases:		
Hong Kong	—	128,400
	17,200	141,400

As at 31 March 2015, certain leasehold land and buildings of the Group with an aggregate carrying amount of HK\$17,200,000 (2014: HK\$141,400,000) were pledged to secure certain banking facilities granted to the Group note 25.

Each year, the Group appoints external valuer to be responsible for the external valuations of the Group's properties and has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's properties held for own use:

Fair value measurement as at 31 March 2015 using				
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Office premises and warehouse	—	—	17,200	17,200

Fair value measurement as at 31 March 2014 using				
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Office premises and warehouse	—	—	141,400	141,400

Notes to Financial Statements

31 March 2015

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fair value hierarchy (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2015 HK\$'000	2014 HK\$'000
Carrying amount at 1 April	141,400	134,800
Depreciation	(2,211)	(4,344)
Disposal	(131,400)	—
Surplus on revaluation recognised in other comprehensive income	9,411	10,944
Carrying amount at 31 March	17,200	141,400

Below is a summary of the valuation techniques used and the key inputs to the valuation of properties held for own use:

	Valuation technique	Significant unobservable input	Range (weighted average)	
			2015	2014
Office premises and warehouse	Direct comparison approach	Market unit sale price (per square feet)	HK\$3,450	HK\$2,615 to HK\$6,070

The direct comparison approach

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristic of the properties, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per square feet.

The key input was the market price per square feet, which a significant increase (decrease) in the market price would result in a significant increase (decrease) in the fair value of the properties.

Notes to Financial Statements

31 March 2015

15. INVESTMENT PROPERTIES

	Group	
	2015	2014
	HK\$'000	HK\$'000
Carrying amount at 1 April	10,875	10,250
Net gain from fair value adjustment	875	635
Exchange realignment	(94)	(10)
Carrying amount at 31 March	11,656	10,875

The Group's investment properties are situated in Mainland China and are held under long term lease.

The Group's investment properties were revalued on 31 March 2015 based on valuations performed by Peak Vision Appraisals Limited, independent professionally qualified valuer, at HK\$11,656,000 (2014: HK\$10,875,000).

As at 31 March 2015, investment properties of the Group with a carrying amount of HK\$11,656,000 (2014: HK\$10,875,000) were leased to independent third parties.

Each year, the Group appoints external valuer to be responsible for the external valuations of the Group's properties and has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Particulars of the Group's investment properties are included on page 32.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 March 2015 using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement for:				
Commercial properties and car park space	—	—	11,656	11,656

Notes to Financial Statements

31 March 2015

15. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

Recurring fair value measurement for:	Fair value measurement as at 31 March 2014 using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Commercial properties and car park space	—	—	10,875	10,875

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2015 HK\$'000	2014 HK\$'000
Carrying amount at 1 April	10,875	10,250
Net gain from a fair value adjustment recognised in other operating income/(expenses), net in profit or loss	875	635
Exchange realignment	(94)	(10)
Carrying amount at 31 March	11,656	10,875

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range (weighted average)	
			2015	2014
Commercial properties	Investment method	Estimated rental value (per square metre and per month)	RMB195	RMB189
		Term yield	6.25%	6.25%
		Reversionary yield	6.50%	6.75%
Car park space	Direct comparison approach	Market unit selling price	RMB350,000	RMB300,000

Notes to Financial Statements

31 March 2015

15. INVESTMENT PROPERTIES (CONTINUED)

The investment method

Under the investment method, fair value is estimated on the basis of capitalisation of existing rent receivable from the existing tenancies and the potential reversionary market rent of the properties.

The valuation takes into account the estimated rental value per square metre, term value and reversionary value. Term value is determined by term yield and rental value generated from the existing lease term. And the reversionary value determined by the estimated market rental value with reference to the characteristic of the investment properties, which included location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the reversionary yield.

The key input was the estimated rental value per square metre, which a significant increase (decrease) in rental value per square metre would result in a significant increase (decrease) in the fair value of the investment properties.

The direct comparison approach

Under the direct comparison approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristic of the properties held for own use, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

The key input was the market price, which a significant increase (decrease) in the market price would result in a significant increase (decrease) in the fair value of the properties held for own use.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	2014
	HK\$'000	HK\$'000
Unlisted shares, at cost	17,500	—
Due from subsidiaries	524,293	—
Due to subsidiaries	(502,417)	—
	39,376	—

The balances with subsidiaries included in investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these balances are considered as quasi-equity loans to the subsidiaries.

Notes to Financial Statements

31 March 2015

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued/ registered capital	Class of shares held	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
北京長迪建築裝飾工程有限公司 ("Beijing Chang-de")(a)*	PRC/Mainland China	RMB16,000,000	Not classified	—	60	Decoration engineering
Deson Development Limited	Hong Kong	HK\$20,000,100 HK\$20,000,000	Class A Class B (i)	—	100	Construction contracting and investment holding
Colton Ventures Limited*	BVI/Hong Kong	US\$1	Ordinary	—	100	Investment holding
Deson Construction Engineering Limited*	BVI/Hong Kong	US\$10,000	Ordinary	—	85.7	Investment holding
Deson Engineering Limited	Hong Kong	HK\$10,000	Ordinary	—	100	Decoration engineering
Deson Industries Limited*	BVI/Hong Kong	US\$1	Ordinary	—	100	Investment holding
Deson (Macau) Construction Limited*	Macau	MOP30,000	Ordinary	—	100	Decoration engineering
Foregrand Holdings Inc.*	BVI/Hong Kong	US\$1	Ordinary	—	100	Investment holding
Grace Profits Investments Limited*	BVI/Hong Kong	US\$1	Ordinary	—	100	Investment holding
Kenworth Group Limited*	BVI/Hong Kong	US\$3	Ordinary	—	100	Investment holding
Kenworth Engineering Limited	Hong Kong	HK\$54,374,140 HK\$20,000,000	Ordinary Preference (ii)	—	100	Provision of electrical and mechanical engineering services
Latest Ventures Limited*	BVI/Hong Kong	US\$1,000	Ordinary	100	—	Investment holding
上海迪申建築裝潢有限公司(b)*	PRC/Mainland China	US\$900,000	Not classified	—	100	Decoration engineering

(a) Registered as a Sino-foreign investment enterprise under PRC law.

(b) Registered as wholly-foreign-owned enterprises under PRC law.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Notes to Financial Statements

31 March 2015

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

- (i) The holders of the non-voting class B shares are not entitled to dividend distributions. Moreover, upon the winding-up of this company, the class B shareholders are not entitled to any return of assets if the assets of the Company are less than HK\$100 trillion.
- (ii) The holders of the preference shares have a cumulative preferential right to the company's profits at 10% of the nominal amount of its share capital, but are not entitled to receive notice of or attend or vote at any meeting of members or any meeting of directors.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2015 HK\$'000	2014 HK\$'000
Percentage of equity interest held by non-controlling interests: Beijing Chang-de	40%	40%
	2015 HK\$'000	2014 HK\$'000
Profit/(loss) for the year allocated to non-controlling interests: Beijing Chang-de	(803)	8
Dividends paid to non-controlling interests of Beijing Chang-de	—	—
Accumulated balances of non-controlling interests at the reporting dates: Beijing Chang-de	6,282	6,647

Notes to Financial Statements

31 March 2015

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following tables illustrate the summarised financial information of Beijing Chang-de. The amounts disclosed are before any inter-company eliminations:

	2015	2014
	HK\$'000	HK\$'000
Revenue	142,874	99,639
Total expenses	(144,881)	(99,619)
Profit/(loss) for the year	(2,007)	20
Total comprehensive income/(loss) for the year	(2,134)	15
Current assets	15,785	10,792
Non-current assets	11,772	10,982
Current liabilities	(9,919)	(3,429)
Non-current liabilities	(1,932)	(1,728)
Net cash flows from operating activities	4,849	2,142
Net cash flows from investing activities	39	144
Net cash flows from financing activities	—	—
Net increase in cash and cash equivalents	4,888	2,286

17. CONSTRUCTION CONTRACTS

	Group	
	2015	2014
	HK\$'000	HK\$'000
Gross amount due from contract customers	25,304	7,563
Gross amount due to contract customers	(88,455)	(87,845)
	(63,151)	(80,282)
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	3,102,789	2,544,766
Less: Progress billings	(3,165,940)	(2,625,048)
	(63,151)	(80,282)

Notes to Financial Statements

31 March 2015

18. ACCOUNTS RECEIVABLE

	Group	
	2015	2014
	HK\$'000	HK\$'000
Accounts receivable	44,743	59,777
Impairment	(4,373)	(4,373)
	40,370	55,404
Retention monies receivable	14,256	13,502
	54,626	68,906

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 trade receivable balances. Accounts receivable are non-interest-bearing.

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

	Group	
	2015	2014
	HK\$'000	HK\$'000
Current to 90 days	35,941	53,662
91 to 180 days	2,191	1,037
181 to 360 days	1,172	64
Over 360 days	1,066	641
	40,370	55,404
Retention monies receivable	14,256	13,502
Total	54,626	68,906

Notes to Financial Statements

31 March 2015

18. ACCOUNTS RECEIVABLE (CONTINUED)

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

	Group 2015 HK\$'000	2014 HK\$'000
At 1 April	4,373	4,386
Amount written off as uncollectible	—	(28)
Impairment losses recognised (note 6)	—	15
At 31 March	4,373	4,373

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable as at 31 March 2015 of HK\$4,373,000 (2014: HK\$4,373,000) with a carrying amount before provision of HK\$4,373,000 (2014: HK\$4,373,000). The individually impaired accounts receivable relate to customers that were in financial difficulties or the customers that were in default in repayments and the receivables were not expected to be recovered.

The aged analysis of the accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	Group 2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	35,941	53,662
Less than 3 months past due	3,363	1,101
3 to 6 months past due	—	—
More than 6 months past due	1,066	641
	40,370	55,404

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

None of the retention monies receivable is either past due or impaired.

Notes to Financial Statements

31 March 2015

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2015	2014
	HK\$'000	HK\$'000
Prepayments	582	871
Deposits	1,659	1,110
	2,241	1,981
Other receivables	14,878	15,258
Impairment	(3,652)	(4,287)
	11,226	10,971
	13,467	12,952

Except for other receivables against which impairment has been made, the remaining assets are neither past due nor impaired. The financial assets included in the above net balances relate to receivables for which there was no recent history of default.

The movements in the provision for impairment of other receivables are as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
At 1 April	4,287	4,223
Impairment losses/(reversal of impairment losses) (note 6)	(625)	64
Exchange realignment	(10)	—
At 31 March	3,652	4,287

Included in the above provision for impairment of other receivables is a provision for individual other receivables that defaulted in repayments and these receivables were not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

Notes to Financial Statements

31 March 2015

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	Group		Company	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Cash and bank balances		41,412	69,263	8	—
Time deposits		19,074	27,863	—	—
		60,486	97,126	8	—
Less: Pledged deposits for banking facilities	25	(29,674)	(27,863)	—	—
Cash and cash equivalents		30,812	69,263	8	—

At 31 March 2015, the aggregate cash and bank balances and deposits of the Group denominated in Renminbi (“RMB”) amounted to HK\$13,203,000 (2014: HK\$6,434,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. 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:

	Group	
	2015 HK\$'000	2014 HK\$'000
Current to 90 days	13,536	40,940
91 to 180 days	1,562	—
181 to 360 days	—	—
Over 360 days	3,896	3,955
	18,994	44,895

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

Notes to Financial Statements

31 March 2015

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Other payables	22,250	17,384	—	—
Deposits received	529	604	—	—
Accruals	3,027	4,619	353	—
	25,806	22,607	353	—

Other payables are non-interest-bearing and repayable on demand.

23. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount due to a non-controlling shareholder is unsecured, interest-free and repayable on demand.

24. BALANCES WITH RELATED COMPANIES AND FELLOW SUBSIDIARIES

All the balances with related companies and fellow subsidiaries are unsecured, interest-free and repayable on demand.

The particulars of an amount due from a related company, Excel Win Limited ("Excel Win"), are as follows:

Name	Group Maximum amount outstanding during the year		2014 HK\$'000
	2015 HK\$'000	2015 HK\$'000	
Excel Win	1,715	1,715	668

Note: Mr. Tjia Boen Sien is a director and has beneficial interests in the Group and Excel Win.

Notes to Financial Statements

31 March 2015

25. INTEREST-BEARING BANK BORROWINGS

Group	2015			2014		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
Current						
Bank loans — secured	3.75	2015	117	3.75 to 4.28	2014 to 2015	20,744
Bank overdrafts — secured	Prime rate + 0.75	—	3,652	Prime rate + 0.75	—	10
Trust receipt loans — secured	Prime rate + 0.875	2015 to 2016	16,992	Prime rate + 0.875	2014 to 2015	27,428
			20,761			48,182
Non-current						
Bank loans — secured	—	—	—	3.75 to 4.18	2015	15,117
			20,761			63,299

	Group	
	2015	2014
	HK\$'000	HK\$'000
Analysed into:		
Bank loans, overdrafts and trust receipt loans repayable:		
Within one year or on demand	20,761	48,182
In the second year	—	15,117
	20,761	63,299

The carrying amounts of these bank borrowings approximate to their fair values as at the end of the reporting period. The fair value of bank borrowings has been calculated by discounting the expected future cash flows at the prevailing interest rates.

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\$17,200,000 (2014: HK\$141,400,000) (note 14);
- (ii) the pledge of the Group's deposits of HK\$29,674,000 (2014: HK\$27,863,000) (note 20);
- (iii) as at 31 March 2014, corporate guarantees executed by the Group's ultimate holding company for banking facilities granted to the Group; and
- (iv) as at 31 March 2014, cross guarantees executed by certain subsidiaries of the Group and a fellow subsidiary of the Group for banking facilities of HK\$130,000,000 granted to them.

Pursuant to the Reorganisation and during the year, the corporate guarantees and cross guarantees detailed in (iii) and (iv) above were released upon the Group and the Group's ultimate holding company entered into their own separate new facility letters with the banks to replace the previous facility letter.

Notes to Financial Statements

31 March 2015

26. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Group

	2015			Total HK\$'000
	Accelerated/ (decelerated) tax depreciation HK\$'000	Revaluation of properties HK\$'000	Withholding taxes HK\$'000	
At 31 March 2014 and 1 April 2014	239	22,729	—	22,968
Deferred tax charged to the statement of profit or loss during the year (note 10)	(293)	219	299	225
Deferred tax charged to the statement of other comprehensive income during the year	—	1,553	—	1,553
Release of deferred tax liability upon disposal of a leasehold land and building	—	(19,695)	—	(19,695)
Exchange realignment	—	(16)	—	(16)
Deferred tax liabilities at 31 March 2015	(54)	4,790	299	5,035

	2014		Total HK\$'000
	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	
At 1 April 2013	239	20,767	21,006
Deferred tax charged to the statement of profit or loss during the year (note 10)	—	159	159
Deferred tax charged to the statement of other comprehensive income during the year	—	1,806	1,806
Exchange realignment	—	(3)	(3)
Deferred tax liabilities at 31 March 2014	239	22,729	22,968

The Group has estimated tax losses arising in Hong Kong of HK\$522,037,000 (2014: HK\$521,222,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK\$2,007,000 (2014: Nil) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries with uncertain future operating profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China.

Notes to Financial Statements

31 March 2015

26. DEFERRED TAX (CONTINUED)

Group (Continued)

The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. SHARE CAPITAL

	2015 HK\$'000	2014 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.05 each	100,000	—
Issued and fully paid:		
400,000,000 ordinary shares of HK\$0.05 each	20,000	—

There was no authorised and issued capital as at 31 March 2014 since the Company has not yet been incorporated.

A summary of the transactions during the year 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		400,000,000	20,000	14,381	34,381

Notes to Financial Statements

31 March 2015

27. SHARE CAPITAL (CONTINUED)

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) 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\$390,000 divided into 7,800,000 shares of par value HK\$0.05 each and the issued 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), 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.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Note	Share Premium account HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
On incorporation		—	—	—	—
Total comprehensive income for the year		—	4,650	—	4,650
Placing of shares	27(iii)	16,750	—	—	16,750
Share issue expenses	27(iii)	(2,369)	—	—	(2,369)
Proposed final 2015 dividend	12	—	(4,000)	4,000	—
At 31 March 2015		14,381	650	4,000	19,031

Notes to Financial Statements

31 March 2015

29. CONTINGENT LIABILITIES

As at 31 March 2014, the Group had executed cross guarantees of HK\$130,000,000 to a bank for bank facilities granted to certain subsidiaries of the Group and a fellow subsidiary of the Group. None of the bank facilities granted were utilised by this fellow subsidiary of the Group as at 31 March 2014.

As further detailed in note 25 to the financial statements, the Group entered into a new facility letter with the bank to replace the previous facility letter and the cross guarantees were no longer required as security for banking facilities granted to the Group.

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	—	130,000	188,200	—

In respect of the guarantees granted to subsidiaries, banking facilities in the amount of HK\$20,761,000 (2014: Nil) were utilised by the subsidiaries as at 31 March 2015.

30. OPERATING LEASE ARRANGEMENT

(a) The Group as lessor

The Group leases its investment properties under an operating lease arrangement, with the lease negotiated for term of one year. The terms of the lease generally also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 March 2015, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenants falling due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	529	—

No contingent rental receivable was recognised by the Group during the year (2014: Nil).

Notes to Financial Statements

31 March 2015

30. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) The Group as lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

As at 31 March 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	2,532	733
In the second to fifth years, inclusive	4,055	8
	6,587	741

The Company had no operating lease arrangements as at 31 March 2015 (2014: Nil).

31. COMMITMENTS

At the end of the reporting period, neither the Group nor the Company had any significant capital commitments (2014: Nil).

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2015 HK\$'000	2014 HK\$'000
Management fees received from fellow subsidiaries	(i)	181	5,644
Management fee received from a related company	(i)	32	55
Rental income from related companies	(ii)	204	306
Rental expenses paid to fellow subsidiaries	(iii)	635	—

Notes:

- (i) The management fee were charged by reference to actual costs incurred for the services provided by the Group. Mr. Tjia Boen Sien is a director of and has beneficial interests in the Company and an related company, Fitness Concept Limited ("FCL"), while Mr. Keung Kwok Cheung is a director of the Company and FCL.
- (ii) During the year, rental income was charged to FCL at HK\$25,500 per month. The lease agreement was terminated on 21 November 2014 upon the disposal of the Group's leasehold land and building to a fellow subsidiary of the Group pursuant to the Reorganisation.
- (iii) During the year, rental expenses were charged by the Group's fellow subsidiaries. Grand On Enterprise Limited and Hua Sheng International Real Estate Development (Shanghai) Co., Ltd at HK\$143,000 and RMB4,300 per month, respectively.

Notes to Financial Statements

31 March 2015

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties:

- (i) Prior to the Reorganisation, the Group's banking facilities were secured by corporate guarantees executed by certain fellow subsidiaries of the Group, as further detailed in note 25 to the financial statements.
- (ii) Prior to the Reorganisation, the Group's banking facilities were secured by cross guarantees executed by certain subsidiaries of the Group and a fellow subsidiary, as further detailed in note 25 to the financial statements.
- (iii) The Group's leasehold land and building was disposed of to a fellow subsidiary of the Group at its carrying amount of HK\$131,400,000 pursuant to the Reorganisation, as further detailed in note 14 to the financial statements.

(c) Outstanding balances with related parties:

- (i) Details of the Group's balance with its non-controlling shareholder as at the end of the reporting period are included in note 23 to the financial statements;
- (ii) Details of the Group's balances with its related companies and fellow subsidiaries as at the end of the reporting period are included in note 24 to the financial statements; and
- (iii) The Company's balances with subsidiaries are unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 8 to the financial statements.

The related party transactions in respect of items (a)(i) and (iii) above also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

Notes to Financial Statements

31 March 2015

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Group	
	Loans and receivables	
	2015	2014
	HK\$'000	HK\$'000
Amounts due from related companies	6,196	5,115
Amounts due from fellow subsidiaries	28	943,410
Accounts receivable	54,626	68,906
Financial assets included in prepayments, deposits and other receivables (note 19)	12,885	12,081
Pledged deposits	29,674	27,863
Cash and cash equivalents	30,812	69,263
	134,221	1,126,638

Financial liabilities

	Group	
	Financial liabilities at amortised cost	
	2015	2014
	HK\$'000	HK\$'000
Accounts payable	18,994	44,895
Financial liabilities included in other payables and accruals	23,823	21,409
Amount due to a non-controlling shareholder	1,500	1,500
Amounts due to fellow subsidiaries	30	793,641
Interest-bearing bank borrowings	20,761	63,299
	65,108	924,744

Financial assets

	Company	
	Loans and receivables	
	2015	2014
	HK\$'000	HK\$'000
Amounts due from subsidiaries	524,293	—
Cash and cash equivalents	8	—
	524,301	—

Notes to Financial Statements

31 March 2015

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	Company Financial liabilities at amortised cost	
	2015 HK\$'000	2014 HK\$'000
Amounts due to subsidiaries	502,417	—
Financial liabilities included in accruals	353	—
	502,770	—

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Financial liabilities				
Interest-bearing bank borrowings	—	35,861	—	35,861

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, bank overdrafts, trust receipt loans and balances with a non-controlling shareholder, related companies and fellow subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of certain interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

As at 31 March 2015, the Group did not have any financial assets measured at fair value.

Fair value hierarchy

The Group did not have any financial liabilities measured at fair value as at 31 March 2015 and 31 March 2014. As at 31 March 2014, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings of HK\$35,861,000. The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

The Company did not have any financial assets and liabilities measured at fair value as at 31 March 2015 and 31 March 2014.

Notes to Financial Statements

31 March 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, balances with a non-controlling shareholder, related companies and fellow subsidiaries, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable, accounts payable, deposits and other receivables, and other payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates in Hong Kong.

The interest rates and terms of repayment of interest-bearing bank borrowings are disclosed in note 25 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans and overdrafts, cash and bank balances, and short term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expense are charged to the consolidated statement of profit or loss as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's results before tax and equity (through the impact on floating rate borrowings).

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in results before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2015			
Hong Kong dollar	100	(455)	—
Hong Kong dollar	(100)	455	—
2014			
Hong Kong dollar	100	(807)	—
Hong Kong dollar	(100)	807	—

* Excluding retained profits

Notes to Financial Statements

31 March 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's results before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	%	Increase/ (decrease) in results before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2015			
If Hong Kong dollar weakens against RMB	5	(195)	—
If Hong Kong dollar strengthens against RMB	(5)	195	—
2014			
If Hong Kong dollar weakens against RMB	5	(259)	—
If Hong Kong dollar strengthens against RMB	(5)	259	—

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise amounts due from related companies and fellow subsidiaries, other receivables, cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in notes 18 and 19 to the financial statements, respectively.

Notes to Financial Statements

31 March 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and other interest-bearing borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against that of its financial assets, and the maintenance of a current ratio, defined as current assets over current liabilities, at above one so as to enhance a stable liquidity.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2015			Total HK\$'000
	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	
Accounts payable	—	18,994	—	18,994
Financial liabilities included in other payables and accruals	23,823	—	—	23,823
Amount due to a non-controlling shareholder	1,500	—	—	1,500
Amounts due to fellow subsidiaries	30	—	—	30
Interest-bearing bank borrowings	3,652	17,109	—	20,761
	29,005	36,103	—	65,108

	2014			Total HK\$'000
	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	
Accounts payable	—	44,895	—	44,895
Financial liabilities included in other payables and accruals	21,409	—	—	21,409
Amount due to a non-controlling shareholder	1,500	—	—	1,500
Amounts due to fellow subsidiaries	793,641	—	—	793,641
Interest-bearing bank borrowings	10	49,369	15,117	64,496
Guarantees given to a bank in connection with facilities granted to fellow subsidiaries	6,000	—	—	6,000
	822,560	94,264	15,117	931,941

Notes to Financial Statements

31 March 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Company

	On demand 2015 HK\$'000	2014 HK\$'000
Financial liabilities included in accruals	353	—
Amounts due to subsidiaries	502,417	—
Guarantees given to banks in connection with banking facilities granted to subsidiaries	188,200	—
	690,970	—

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

Notes to Financial Statements

31 March 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, other payables and accruals, amounts due to a non-controlling shareholder and fellow subsidiaries and interest-bearing bank borrowings, less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2015 HK\$'000	2014 HK\$'000
Accounts payable	18,994	44,895
Other payables and accruals	25,806	22,607
Amount due to a non-controlling shareholder	1,500	1,500
Amounts due to fellow subsidiaries	30	793,641
Interest-bearing bank borrowings	20,761	63,299
Less: Cash and cash equivalents	(30,812)	(69,263)
Net debt	36,279	856,679
Total capital	23,292	245,941
Total capital and net debt	59,571	1,102,620
Gearing ratio	61%	78%

36. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2015, the first special dividend, second special dividend and sale proceed of leasehold land and building of HK\$200,000,000, HK\$35,000,000 and HK\$131,400,000, respectively, are settled through current account with group companies. Moreover, during the year ended 31 March 2015, bank loan of HK\$25,000,000 was assigned to a fellow subsidiary and the assignment was settled through the balance of the fellow subsidiary.

37. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 8 May 2015, the board of directors of the Company proposed a share subdivision (the "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(s)", such that the authorised share capital of the Company becomes 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 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.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 June 2015.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last three financial years is set out below.

RESULTS

	Years ended 31 March		
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
REVENUE	750,075	825,379	540,226
PROFIT/(LOSS) BEFORE TAX	(1,336)	20,360	10,434
Income tax expense	(3,447)	(4,408)	(3,160)
PROFIT/(LOSS) FOR THE YEAR	(4,783)	15,952	7,274
Attributable to:			
Owners of the Company	(3,977)	15,946	7,620
Non-controlling interests	(806)	6	(346)
	(4,783)	15,952	7,274

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March		
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Total assets	190,922	1,289,797	1,199,016
Total liabilities	(162,664)	(1,038,033)	(972,622)
Non-controlling interests	(4,966)	(5,823)	(5,817)
	23,292	245,941	220,577

The summary of the consolidated results of the Group for the two years ended 31 March 2013 and 2014 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 March 2013 and 2014 have been extracted from the Prospectus. Such summary is presented on the basis as set out in the Prospectus.

The financial information for the two years ended 31 March 2011 and 2012 were not disclosed as consolidated financial statements for the Group have not been prepared for those years.