



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



FIRST QUARTERLY REPORT 2016

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

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*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.*

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2016 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding periods in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2016

		(Unaudited)	
		Three months ended	
		30 June	
		2016	2015
	Notes	HK\$'000	HK\$'000
REVENUE	3	260,247	145,288
Cost of sales		(217,293)	(136,025)
		42,954	9,263
Gross profit		473	372
Other income and gains		(7,413)	(8,486)
Administrative expenses		2,919	12
Other operating income, net		(648)	(67)
Finance costs	5		
		38,285	1,094
PROFIT BEFORE TAX	4		
Income tax credit/(expense)	6	42	(89)
		38,327	1,005
PROFIT FOR THE PERIOD			
Attributable to:			
Owners of the Company		37,433	1,165
Non-controlling interests		894	(160)
		38,327	1,005
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		(Restated)
Basic		HK3.74 cents	HK0.12 cent
Diluted		HK3.51 cents	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2016

	(Unaudited)	
	Three months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	38,327	1,005
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	—	312
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	—	312
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	38,327	1,317
Attributable to:		
Owners of the Company	37,433	1,426
Non-controlling interests	894	(109)
	38,327	1,317

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2016

	Attributable to owners of the Company										
	Issued capital	Share premium	Contribution surplus	Property revaluation reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Retained profits/(accumulated losses)	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
At 1 April 2015 (audited)	20,000	14,381	(5,372)	15,645	—	4,984	5,581	(31,927)	23,292	4,966	28,258
Profit for the period	—	—	—	—	—	—	—	1,165	1,165	(160)	1,005
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	261	—	—	261	51	312
Total comprehensive income for the period	—	—	—	—	—	261	—	1,165	1,426	(109)	1,317
Release of revaluation reserve	—	—	—	(180)	—	—	—	180	—	—	—
At 30 June 2015	20,000	14,381	(5,372)	15,465	—	5,245	5,581	(30,582)*	24,718	4,857	29,575
At 1 April 2016 (audited)	25,000	9,381	(5,372)	14,294	1,183	3,939	5,581	(24,352)	29,654	6,252	35,906
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	—	37,433	37,433	894	38,327
Release of revaluation reserve	—	—	—	(170)	—	—	—	170	—	—	—
At 30 June 2016	25,000	9,381	(5,372)	14,124	1,183	3,939	5,581	13,251	67,087	7,146	74,233

* Retained profits/(accumulated losses) have been adjusted for the proposed final 2015 dividend in accordance with the current period's presentation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Deson Construction International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Island 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 (i) the construction business, as a main contractor, fitting-out works, and as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong and Mainland China and Macau and other construction related business; and (ii) investment in securities.

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. Basis of preparation

The unaudited condensed consolidated financial statements for the three months ended 30 June 2016 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 Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, and investment properties and equity investments at fair value through profit or loss, which have been measured at fair value. 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.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the three months ended 30 June 2016 are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 March 2016. These unaudited condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual report for the year ended 31 March 2016.

2. Basis of preparation (Continued)

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

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

3. Revenue, other income and gains and segment information

Revenue, which is also the Group's turnover, represents (i) an appropriate proportion of contract revenue from construction contracting and related business; and (ii) profit from the sales of marketable securities.

	(Unaudited)	
	Three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Revenue		
Income from construction contracting and related business	227,363	145,288
Income from investment in securities	32,884	—
	260,247	145,288
Other income and gains		
Bank interest income	15	41
Gross rental income	—	168
Others	458	163
	473	372

Segment information

For management purposes, the Group is organised into the following operating segments based on their products and services:

- construction contracting and related business
- investment in securities

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

3. Revenue, other income and gains and segment information (Continued)

Segment information (Continued)

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

For the three months ended 30 June

	Construction contracting and related business		Investment in securities		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment revenue:						
Sales to external customers	227,363	145,288	32,884	—	260,247	145,288
Other income and gains	458	331	—	—	458	331
	227,821	145,619	32,884	—	260,705	145,619
Segment results						
Operating profit	4,072	2,023	32,884	—	36,956	2,023
<i>Reconciliation:</i>						
Interest income					15	41
Fair value gain on financial liabilities at fair value through profit or loss					2,919	—
Unallocated expenses					(957)	(903)
Finance costs					(648)	(67)
Profit before tax					38,285	1,094
Other segment information:						
Depreciation	249	203	—	—	249	203

3. Revenue, other income and gains and segment information (Continued)

Segment information (Continued)

Geographical information

	(Unaudited)	
	Three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	192,876	96,535
Mainland China	62,663	44,957
Macau	4,708	3,796
	<hr/>	
	260,247	145,288
	<hr/>	

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

4. Profit before tax

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

	(Unaudited)	
	Three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Cost of construction contracting	217,293	136,025
Depreciation	249	203
Minimum lease payments under operating leases on land and buildings	650	656
Rental income on investment properties	—	(168)
Less: outgoings	—	35
	<hr/>	<hr/>
Rental income	—	(133)
	<hr/>	<hr/>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	7,136	6,944
Pension scheme contributions*	224	218
Less: Amount capitalised	(3,221)	(2,482)
	<hr/>	<hr/>
	4,139	4,680
	<hr/>	<hr/>
Foreign exchange differences, net [^]	—	(12)
	<hr/>	<hr/>

* At 30 June 2016, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2015: Nil).

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

5. Finance costs

An analysis of finance costs is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest on bank and other borrowings (including convertible bonds)	765	203
Less: Interest capitalised	(117)	(136)
	648	67

6. Income tax

Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the three months ended 30 June 2016 and 30 June 2015, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	(Unaudited)	
	Three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	—	—
Current — Elsewhere		
Charge for the period	2	13
Deferred	(44)	76
Total tax charge/(credit) for the period	(42)	89

7. Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (30 June 2015 (restated): 1,000,000,000) in issue during the Reporting Period, after taking into account (i) the subdivision of shares which was effective from 4 June 2015 and as if the subdivision of shares had been effective since 1 April 2015; and (ii) the issue of bonus shares by the Company on 29 September 2015 on the basis of one bonus share for every four ordinary shares at a par value of HK\$0.025 each to shareholders whose name appeared on the register of members on 25 September 2015. The number of shares before the issue of bonus shares was restated as if they had been effective since 1 April 2015.

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

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

	(Unaudited)	
	Three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	37,433	1,165
Interest on convertible bonds	610	—
	38,043	1,165

7. Earnings per share attributable to ordinary equity holders of the Company (Continued)

	(Unaudited) Three months ended 30 June 2016		2015
Shares			
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,000,000,000		1,000,000,000
Effect of dilution — weighted average number of ordinary shares:			
Share options*	—		—
Convertible bonds	83,758,242		—
	1,083,758,242		1,000,000,000

* The share options granted on 3 February 2016 had an anti-dilutive effect on the basis earnings per share and have not been included in the diluted earnings per share calculation for the three months ended 30 June 2016.

No adjustment has been made to the basic earnings per share amount presented for the three months ended 30 June 2015 in respect of a dilution as the Group had no potential dilutive ordinary share in issue during that period.

8. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2016 (three months ended 30 June 2015: Nil).

9. Share capital

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2016 and 30 June 2016	1,000,000,000	25,000	9,381	34,381

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

The Group's turnover for the three months ended 30 June 2016 recorded at approximately HK\$260 million which represented an increase of 79% from approximately HK\$145 million for the three months ended 30 June 2015.

(i) Construction Segment

(a) Building construction works:

For the three months ended 30 June 2016, revenue recorded from this section amounted to approximately HK\$61 million (three months ended 30 June 2015: HK\$50 million). The increase by 22% was because the main contractors work at Stubbs Road was at its early stage during the last reporting period, more revenue was recognised during this period. Besides, the new main contractor work at Stanley also contributed a significant increase of turnover for the Group.

(b) Electrical and mechanical engineering works:

For the three months ended 30 June 2016, revenue recorded from this section amounted to approximately HK\$54 million (three months ended 30 June 2015: HK\$30 million). The increase by 80% was mainly due to turnover was started to be recognised for several new projects that were granted after last period end. These projects include fire services and MVAC installation of Multimedia Production And Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong, building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Kowloon and term contract for Building Services Works at Sogo Department, Causeway Bay, Hong Kong.

(c) Fitting-out works:

For the three months ended 30 June 2016, revenue recorded from this section amounted to approximately HK\$112 million (three months ended 30 June 2015: HK\$65 million). The increase by 72% was mainly attributable to the fitting-out works contracts granted in Beijing, PRC during the period. On the other hands, fitting-out works at Prada shop, Harbour City, Tsim Shan Tsui also contributed a significant increase of turnover for this section.

(ii) **Investment in marketable securities segment**

For the three months ended 30 June 2016, revenue recorded from this segment amounted to approximately HK\$33 million (three months ended 30 June 2015: Nil). During the last quarter of the year ended 31 March 2016, the Group has developed a new business segment, which includes long-term and short-term investments in marketable securities and other related financial and/or investment products and opportunities (including without limitation fixed income products, foreign exchange products, commodities and related products, investment funds, pre-IPO investment opportunities, etc.) (the “**New Business**”). The initial capital required for the New Business is financed by internal resources and banking facilities of the Group. The Directors consider the development of the New Business will enable the Group to diversify its business and broaden its revenue base and is in the interest of the Group and the Company’s shareholders as a whole.

During the Reporting Period, the New Business turned out to be a significant profit driver of the Group. As at 30 June 2016, the Group held approximately HK\$33 million of equity investments at fair value through profit or loss. As the overall market condition of the Hong Kong stock market improves, the Group records a realised gain and a net unrealised gain of approximately HK\$26 million and HK\$7 million respectively. The Board will adopt cautious measures to manage this business activity aiming at generating additional investment returns on available funds of the Company from time to time. Details of the marketable securities are disclosed under the section “**SIGNIFICANT INVESTMENTS**”.

Due to the increase in realised gain and a net unrealised gain generated from the trading of marketable securities for the three months ended 30 June 2016 as compared with that for the three months ended 30 June 2015, the net profit attributable to owners of the Company amounted to approximately HK\$37,433,000 as compared with the net profit attributable to owners of the Company amounted to approximately HK\$1,165,000 for the three months ended 30 June 2015. Basic earnings per share is HK3.74 cents for the period ended 30 June 2016.

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

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

Financial review

Turnover

For the three months ended 30 June 2016, the Group's turnover amounted to approximately HK\$260 million, increased by approximately 79% as compared to the last corresponding period. The increase in turnover was mainly due to more revenue was recognised for projects that were granted after the period ended 30 June 2015.

Gross profit margin

Our gross profit increased by approximately HK\$34 million or 364%, from approximately HK\$9 million for the three months ended 30 June 2015 to approximately HK\$43 million for the three months ended 30 June 2016. During the three months ended 30 June 2016, the gross profit margin was approximately 17%, up by approximately 11% as compared to the last corresponding period's 6%. The increase was mainly due to the increase of realised gain and unrealised gain for the investments in marketable securities which started from last quarter for the year ended 31 March 2016.

Other income

Other income increased by approximately HK\$0.1 million from approximately HK\$0.4 million for the three months ended 30 June 2015 to approximately HK\$0.5 million for the three months ended 30 June 2016. The increase is mainly because more penalty were charged to sub-contractors in the event of non-compliance with rules set by our Group (include but not limited to safety rules) by their staff at our project site.

Administrative expenses

Administrative expenses decreased by approximately HK\$1.1 million or 13% from approximately HK\$8.5 million for the three months ended 30 June 2015 to approximately HK\$7.4 million for the three months ended 30 June 2016. The decrease was mainly due to the drop of staff cost as more cost was capitalised to projects.

Contingent liabilities

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

Commitments

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

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK\$15,886,000 (31 March 2016: HK\$16,000,000); and
- (ii) the pledge of the Group's time deposits of HK\$29,739,000 (31 March 2016: HK\$29,727,000).

Treasury policies

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

Exchange risk exposure

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

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

Capital structure of the Group

Details of the movements in the Company's share capital are set out in note 9 to financial statements.

On 29 March 2016, the Company entered into a placing agreement with Koala Securities Limited (the "**Placing Agent**") pursuant to which the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, certain convertible bonds (the

“Convertible Bonds”) with principal amounts aggregating up to HK\$30,900,000 to not less than six places at an initial conversion price of HK\$0.30 per conversion share (the “Placing”).

On 18 April 2016, the Convertible Bonds in the aggregate principal amount of HK\$30,900,000 were successfully placed to six places. The net proceeds from the Placing are approximately HK\$29,720,000 which were applied for general working capital of the Company and future and potential investment opportunities of the New Business.

SIGNIFICANT INVESTMENTS

As at 30 June 2016, the Group held approximately HK\$33 million equity investments at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock Code	Place of incorporation	Fair value Gain/(loss) HK\$'000	Market Values HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets %
Hanny Holdings Limited	1	00275	Bermuda	340	1,340	4.1	1.8
China Information Technology Development Limited	2	08178	Cayman Islands	6,465	19,497	58.9	26.3
First Credit Finance Group Limited	3	08215	Cayman Islands	(243)	1,210	3.7	1.6
Huisheng International Holdings Limited	4	01340	Cayman Islands	(49)	576	1.7	0.8
Leap Holdings Group Limited	5	01499	Cayman Islands	(20)	10,461	31.6	14.1

Notes:

- Hanny Holdings Limited was principally engaged in (i) trading of securities — trading of investments held for trading; (ii) property development trading — development and sale of properties; and (iii) water supply — provision of water. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$3,736,066,000 as at 31 March 2016.
- China Information Technology Development Limited was principally engaged in (A) the software development and system integration segment engages in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services; and (B) the in-house developed products segment engages in the lease of in-house developed computer hardware. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$358,715,000 as at 31 December 2015.

3. First Credit Finance Group Limited was principally engaged in provision and arrangement of credit facilities in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$476,166,000 as at 31 December 2015.
4. Huisheng International Holdings Limited was principally engaged in the production and sale of pork products, and its operations mainly involve hog slaughtering as well as hog breeding and hog farming. HK\$57,000 dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately RMB916,682,000 as at 31 December 2015.
5. Leap Holdings Group Limited was principally engaged in (i) foundation works and ancillary services: Provision of site formation works, excavation and lateral support works, piling construction, pile caps or footing construction and reinforced concrete structure works and ancillary services mainly included hoarding and demolition works and lease of machinery; and (ii) construction wastes handling: Provision of management and operation of public fill reception facilities, including public fill banks and temporary construction waste sorting facilities, for construction and demolition materials. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$166,461,000 as at 31 March 2016.

During the three months ended 30 June 2016, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$46 million and income recognised in revenue for the amount of HK\$26 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/ (loss) HK\$'000
Wealth Glory Holdings Limited	08269	Cayman Islands	7,299	(412)
AP Rentals Holdings Limited	01496	Cayman Islands	5,796	2,009
Hypebeast Limited	08359	Cayman Islands	25,320*	21,380
Expert Systems Holdings Limited	08319	Cayman Islands	5,728	3,455
Huisheng International Holdings Limited	01340	Cayman Islands	2,305	(41)

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

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

Prospect

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

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

During the Reporting Period, new projects such as site formation and foundation works for residential re-development at Peak Road, Hong Kong, addition and alteration works at East-Point Centre, Causeway Bay, Hong Kong, fitting-out works including electrical and mechanical works for three Prada/Miu Miu shops at City of Dreams, Macau, construction works of Beijing subway Line 1, Beijing, China, subcontracting fitting-out works for the redevelopment of residential buildings and carparks at ChangPing District, Beijing and fitting-out works of offices at Jintian Film and Television Industrial Park, Beijing. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,838 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.

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

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

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the “**Scheme**”) on 11 August 2015, the Company has adopted the Share Option Scheme. Under the terms of the Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. The Scheme became effective on 10 August 2015 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Company had 80,000,000 share options available for issue under the Scheme, which represented approximately 8% of the issued shares of the Company as at 30 June 2016.

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

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

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

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

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

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

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	Price of the Company's shares**	
	At 1 April 2016	Granted during the period	Exercised during the period	At 30 June 2016			Exercise price of share options* HK\$ per share	At grant date of options HK\$ per share
Directors:								
Keung Kwok Cheung	2,400,000	—	—	2,400,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Kwok Koon Keung	2,200,000	—	—	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lo Wing Ling	2,200,000	—	—	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong Chi King	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lee Tho Siem	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Cheung Ting Kee	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong King Keung	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
	<u>10,800,000</u>	<u>—</u>	<u>—</u>	<u>10,800,000</u>				
Other employees, in aggregate	7,200,000	—	—	7,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Total	<u>18,000,000</u>	<u>—</u>	<u>—</u>	<u>18,000,000</u>				

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

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

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

As at 30 June 2016, the interests and short positions of the each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any associated corporation (within in the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules, were as follows:

A. Long positions in ordinary shares of the Company

Name of Director	Number of ordinary shares held, capacity and nature of interest		Number of underlying ordinary shares of HK\$0.025 each in the Company	Options*	Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation				
Mr. Keung Kwok Cheung	—	—		2,400,000	2,400,000	0.24%
Mr. Kwok Koon Keung	500	—		2,200,000	2,200,500	0.22%
Mr. Lo Wing Ling	—	—		2,200,000	2,200,000	0.22%
Mr. Ong Chi King	8,802,000	—		1,000,000	9,802,000	0.98%
Mr. Tjia Boen Sien	22,887,200	538,414,868		—	561,302,068	56.13%
("Mr. Tjia")		(Note 1)				
Mr. Ong King Keung	—	—		1,000,000	1,000,000	0.10%
Mr. Lee Tho Siem	—	—		1,000,000	1,000,000	0.10%
Mr. Cheung Ting Kee	—	—		1,000,000	1,000,000	0.10%

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

Notes:

- (1) Mr. Tjia beneficially owns all the shares in Sparta Assets Limited (“**Sparta Assets**”), a company incorporated in the British Virgin Islands (“**BVI**”). Sparta Assets directly beneficially owned 26,645,000 shares in the Company and it beneficially owned 349,935,000 shares in Deson Development International Holdings Limited (“**DDIHL**”), representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 538,414,868 shares in the Company (being aggregate of 26,645,000 shares in the Company held by Sparta Assets and 511,769,868 shares in the Company indirectly owned by DDIHL (through Deson Development Holdings Limited (“**DDHL**”) which Sparta Assets is deemed to be interested in).
- (2) Details of Directors’ interests in underlying shares in respect of the options granted under the Share Option Scheme are summarised as follows:

Name of Director	Exercise price per share HK\$	Number of underlying ordinary shares of HK\$0.025 each in the Company in respect of which options have been granted
		Balance as at 30 June 2016
Mr. Keung Kwok Cheung	0.28	2,400,000
Mr. Kwok Koon Keung	0.28	2,200,000
Mr. Lo Wing Ling	0.28	2,200,000
Mr. Ong Chi King	0.28	1,000,000
Mr. Lee Tho Siem	0.28	1,000,000
Mr. Cheung Ting Kee	0.28	1,000,000
Mr. Ong King Keung	0.28	1,000,000

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

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

Name of Director	Number of ordinary shares of HK\$0.10 each in DDIHL		Options*	Total	Percentage of the DDIHL’s issued share capital
	Directly beneficially owned	Through controlled corporation			
Mr. Tjia	68,661,600(L)	349,935,000(L)	320,000	418,916,600	42.84%
		(Note 1)			
Mr. Keung Kwok Cheung	300,000(L)	—	3,100,000	3,400,000	0.35%
Mr. Kwok Koon Keung	1,500(L)	—	1,000,000	1,001,500	0.10%
Mr. Lo Wing Ling	—	—	1,000,000	1,000,000	0.10%
Mr. Lee Tho Siem	1,785,000(L)	—	—	1,785,000	0.18%
	(Note 2)				

Notes:

(L) denotes long position.

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

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

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

Name of Director	Exercise price per share HK\$	Number of underlying ordinary shares of HK\$0.10 each in DDIHL in respect of which options have been granted
		Balance as at 30 June 2016
Mr. Tjia	0.71	320,000
Mr. Keung Kwok Cheung	0.71	3,100,000
Mr. Kwok Koon Keung	0.71	1,000,000
Mr. Lo Wing Ling	0.71	1,000,000

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

As at 30 June 2016, 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 30 June 2016, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2016, 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	511,769,868	51.18%
DDIHL	Interest in controlled corporation (Note 1)	511,769,868	51.18%
Sparta Assets	Beneficial owner	26,645,000	2.66%
	Interest in controlled corporations (Note 2)	511,769,868	51.18%

Notes:

- 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.
- Sparta Assets directly beneficially owned 349,935,000 shares in DDIHL, representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Sparta Assets is deemed to be interested in 511,769,868 shares indirectly owned by DDIHL (through DDHL).

Save as disclosed above, at 30 June 2016, 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

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

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

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

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

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited, as at 30 June 2016, save for the compliance adviser agreement dated 25 December 2014 entered into between the Company and Kingsway Capital Limited, neither Kingsway Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board. As at the date of this report, the audit committee comprises three independent non-executive directors, namely Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Chan Ka Yin.

The unaudited quarterly results of the Company for the three month ended 30 June 2016 have been reviewed by the audit committee members who have provided advice and comments thereon.

By order of the Board
Deson Construction International Holdings Limited
Keung Kwok Cheung
Chief Executive Officer and Executive Director

Hong Kong, 5 August 2016

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