



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

INTERIM REPORT 2018

CHARACTERISTICS OF THE 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.*

INTERIM 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 six months ended 30 September 2018 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
REVENUE	4	180,080	242,361	357,120	471,220
Cost of sales		(173,968)	(217,088)	(349,180)	(407,281)
Gross profit		6,112	25,273	7,940	63,939
Other income and gains	4	2,665	319	2,893	657
Fair value gain on investment properties		—	—	108	—
Administrative expenses		(8,894)	(7,835)	(16,033)	(15,777)
Other operating income/(expenses), net		259	(6)	259	(7)
Finance costs	6	(960)	(853)	(1,877)	(1,668)
PROFIT/(LOSS) BEFORE TAX	5	(818)	16,898	(6,710)	47,144
Income tax credit/(expense)	7	(14)	(913)	22	(857)
PROFIT/(LOSS) FOR THE PERIOD		(832)	15,985	(6,688)	46,287
Attributable to:					
Owners of the Company		(729)	15,694	(6,608)	45,460
Non-controlling interests		(103)	291	(80)	827
		(832)	15,985	(6,688)	46,287
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8				
Basic		HK(0.07) cent	HK1.57 cent	HK(0.66) cent	HK4.55 cents
Diluted		HK(0.07) cent	HK1.50 cent	HK(0.66) cent	HK4.27 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(832)	15,985	(6,688)	46,287
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(495)	737	(1,410)	1,463
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(495)	737	(1,410)	1,463
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(1,327)	16,722	(8,098)	47,750
Attributable to:				
Owners of the Company	(1,275)	16,273	(8,149)	46,613
Non-controlling interests	(52)	449	51	1,137
	(1,327)	16,722	(8,098)	47,750

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		20,250	20,567
Investment properties	10	18,861	—
Total non-current assets		39,111	20,567
CURRENT ASSETS			
Gross amount due from contract customers		—	44,055
Contract assets		73,020	—
Due from related companies		5,904	5,913
Accounts receivable	11	113,788	99,984
Prepayments, deposits and other receivables		101,948	131,273
Financial assets at fair value through profit or loss	12	19,535	19,621
Tax recoverable		1,209	1,209
Pledged deposits		26,277	26,236
Cash and cash equivalents		35,162	54,314
Total current assets		376,843	382,605
CURRENT LIABILITIES			
Gross amount due to contract customers		—	113,898
Accounts payable	13	27,669	39,062
Other payables and accruals		206,888	69,719
Due to a non-controlling shareholder		1,500	1,500
Due to a related company		14	15
Tax payable		1,259	2,337
Derivative component of convertible bonds	14	2,470	2,470
Liability component of convertible bonds	14	29,508	—
Interest-bearing bank borrowings		15,325	9,407
Total current liabilities		284,633	238,408
NET CURRENT ASSETS		92,210	144,197
TOTAL ASSETS LESS CURRENT LIABILITIES		131,321	164,764

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2018

		30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
	Notes		
NON-CURRENT LIABILITIES			
Liability component of convertible bonds	14	—	28,295
Deferred tax liabilities		1,106	1,128
		<hr/>	<hr/>
Total non-current liabilities		1,106	29,423
		<hr/>	<hr/>
Net assets		130,215	135,341
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	25,000	25,000
Reserves		107,938	113,115
		<hr/>	<hr/>
		132,938	138,115
		<hr/>	<hr/>
Non-controlling interests		(2,723)	(2,774)
		<hr/>	<hr/>
Total equity		130,215	135,341
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company										
	Issued Capital HK\$'000	Share premium HK\$'000	Contribution surplus HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2017 (audited)	25,000	9,381	(5,372)	15,916	1,183	1,951	5,581	41,863	95,503	7,028	102,531
Profit for the period	—	—	—	—	—	—	—	45,460	45,460	827	46,287
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	1,153	—	—	1,153	310	1,463
Total comprehensive income for the period	—	—	—	—	—	1,153	—	45,460	46,613	1,137	47,750
Release of revaluation reserve	—	—	—	(216)	—	—	—	216	—	—	—
At 30 September 2017	25,000	9,381	(5,372)	15,700	1,183	3,104	5,581	87,539	142,116	8,165	150,281
At 1 April 2018 (audited)	25,000	9,381	(5,372)	13,906	1,183	4,390	5,581	84,046	138,115	(2,774)	135,341
Adjustment on adoption of HKFRS 15, net of tax	—	—	—	—	—	—	—	2,972	2,972	—	2,972
Restated balance at 1 April 2018	25,000	9,381	(5,372)	13,906	1,183	4,390	5,581	87,018	141,087	(2,774)	138,313
Loss for the period	—	—	—	—	—	—	—	(6,608)	(6,608)	(80)	(6,688)
Other comprehensive income/(loss) for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	(1,541)	—	—	(1,541)	131	(1,410)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(1,541)	—	(6,608)	(8,149)	51	(8,098)
Release of revaluation reserve	—	—	—	(207)	—	—	—	207	—	—	—
At 30 September 2018	25,000	9,381*	(5,372)*	13,699*	1,183*	2,849*	5,581*	80,617*	132,938	(2,723)	130,215

* These reserve accounts comprise the consolidated reserves of HK\$107,938,000 (31 March 2018: HK\$113,115,000) in the condensed consolidated statement of financial position as at 30 September 2018.

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Notes	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(6,710)	47,144
Adjustments for:			
Finance costs	6	1,877	1,668
Interest income	4	(82)	(163)
Dividend income	4	—	(126)
Loss on disposal of items of property, plant and equipment	5	—	31
Fair value loss/(gain) on financial assets at fair value through profit or loss	4	3,396	(35,998)
Fair value gain on investment properties	10	(108)	—
Reversal of impairment of accounts receivable	5	(259)	—
Depreciation	5	438	411
		(1,448)	12,967
Decrease in gross amount due from contract customers		—	4,354
Increase in contract assets		(26,489)	—
Decrease/(increase) in accounts receivable		(14,690)	14,824
Decrease/(increase) in financial assets at fair value through profit or loss		(3,310)	68,382
Decrease/(increase) in prepayments, deposits and other receivables		26,885	(67,383)
Decrease in gross amount due to contract customers		—	(4,719)
Increase/(decrease) in accounts payable		(9,625)	11,044
Increase in other payables and accruals		25,307	18,674
Movement in balances with related companies, net		8	—
Cash generated from/(used in) operations		(3,362)	58,143
Interest paid		(733)	(711)
Overseas tax paid		(910)	(56)
Dividend received		—	126
Net cash flow from/(used in) operating activities		(5,005)	57,502

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 September 2018

	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	82	163
Purchases of items of property, plant and equipment	(14)	(7)
Purchase of investment properties	(18,800)	—
Proceeds from disposal of items of property, plant and equipment	—	42
Increase in pledged deposits	(41)	(25)
Movement in balances with related companies, net	—	(3)
	<hr/>	<hr/>
Net cash flows from/(used in) investing activities	(18,773)	170
CASH FLOWS FROM FINANCING ACTIVITIES		
New trust receipt loans	10,508	4,687
Repayment of trust receipt loans	(4,871)	(3,033)
	<hr/>	<hr/>
Net cash flows from financing activities	5,637	1,654
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	(18,141)	59,326
Cash and cash equivalents at beginning of period	49,778	47,620
Effect of foreign exchange rate changes, net	(1,292)	1,178
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CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	30,345	108,124
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents stated in the condensed consolidated statement of financial position	35,162	108,277
Bank overdrafts, secured	(4,817)	(153)
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Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	30,345	108,124

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Deson Construction International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 18 July 2014. The registered address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally involved in (i) the construction business, as a main contractor, fitting-out works, and as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau and other construction related business; (ii) investment in securities; and (iii) property investment.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) of the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties, financial assets at fair value through profit or loss and derivative component of convertible bonds, which have been measured at valuation or fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2018.

2. BASIS OF PREPARATION (Continued)

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 September 2018 are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 March 2018, except as described below:

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
HK (IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
Annual Improvements 2014 – 2016 Cycle	<i>Amendments to HKFRS 1 and HKAS 28</i>

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, and presentation of contract assets and contract liabilities.

HKFRS 9 “Financial Instruments”

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 “Financial Instruments: Recognition and Measurement” for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairment and (iii) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the interim condensed consolidated financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

2. BASIS OF PREPARATION (Continued)

HKFRS 9 “Financial Instruments” (Continued)

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVTPL**”), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“**amortised costs**”); (ii) financial assets at fair value through other comprehensive income (“**FVOCI**”); or (iii) FVTPL (as defined above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “**SPPI criterion**”). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. BASIS OF PREPARATION (Continued)

HKFRS 9 “Financial Instruments” (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group’s financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

2. BASIS OF PREPARATION (Continued)

HKFRS 9 “Financial Instruments” (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9
Listed equity investments	Held-for-trading	FVTPL
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. Hence, the adoption of HKFRS 9 does not affect the carrying amounts of the Group’s financial liabilities as at 1 April 2018.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group’s impairment model by replacing the HKAS 39 “incurred loss model” to the “expected credit losses (“ECLs”) model”. HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

2. BASIS OF PREPARATION (Continued)

HKFRS 9 “Financial Instruments” (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward looking information. The Group’s debt investment at FVOCI are considered to have low credit risk since the issuers’ credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

2. BASIS OF PREPARATION (Continued)

HKFRS 9 “Financial Instruments” (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group applies general approach to measure ECL on deposits and other receivables. Impairment based on the expected credit loss model on the Group’s trade receivables have no significant financial impact on the Group’s interim condensed consolidated financial statements for the current accounting period.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 April 2018. Accordingly, the information presented for 31 March 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the “DIA”):

- The determination of the business model within which a financial asset is held; and
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

2. BASIS OF PREPARATION (Continued)

HKFRS 9 “Financial Instruments” (Continued)

(iv) Transition (Continued)

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

On 1 April 2018 and 30 September 2018, the Directors reviewed and assessed the Group’s financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact were considered insignificant to the Group.

HKFRS15 “Revenue from Contracts with Customers”

The Group has adopted HKFRS 15 from 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, prior period comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 *Revenue* (“**HKAS 18**”) and HKAS 11 *Construction contracts* (“**HKAS 11**”) that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

Accounting for construction activities

Under HKFRS 15, the Company recognises construction contract revenue over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Construction contracts are generally accounted for as a single unit of account (a single performance obligation) and are not segmented between types of services. The Company recognises revenue using the cost-to-cost method, based primarily on contract cost incurred to date compared to total estimated contract cost. The cost-to-cost method (an input method) is the most faithful depiction of the Company’s performance because it directly measures the value of the services transferred to the customer.

Changes to total estimated contract cost or losses, if any, are recognised in the period in which they are determined as assessed at the contract level.

2. BASIS OF PREPARATION (Continued)

HKFRS15 "Revenue from Contracts with Customers" (Continued)

Accounting for construction activities (Continued)

Contract assets represent revenue recognised in excess of amounts billed and include unbilled receivables. Unbilled receivables, which represent an unconditional right to payment, are reclassified to accounts receivable when they are billed under the terms of the contract and subject only to the passage of time. Advances that are payments on account of contract assets have been deducted from contract assets. Contract liabilities represent amounts billed to clients in excess of revenue recognised to date.

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

Condensed consolidated statement of financial position (extracted)	As at 1 April 2018		Results as reported HK\$'000
	Result without the adoption of HKFRS 15 HK\$'000	Effects of the adoption of HKFRS 15 HK\$'000	
Current assets			
Gross amount due from contract customers	44,055	(44,055)	—
Accounts receivable	99,984	(55,116)	44,868
Contract assets	—	102,143	102,143
Current liabilities			
Gross amount due to contract customers	(113,898)	113,898	—
Other payables and accruals	(69,719)	(113,898)	(183,617)
Equity			
Reserves	(113,115)	(2,972)	(116,087)
Condensed consolidated statement of financial position (extracted)	As at 30 September 2018		Results as reported HK\$'000
	Result without the adoption of HKFRS 15 HK\$'000	Effects of the adoption of HKFRS 15 HK\$'000	
Current assets			
Gross amount due from contract customers	16,070	(16,070)	—
Accounts receivable	166,930	(53,142)	113,788
Contract assets	—	73,020	73,020
Current liabilities			
Gross amount due to contract customers	(121,853)	121,853	—
Other payables and accruals	(85,035)	(121,853)	(206,888)
Equity			
Reserves	(104,130)	(3,808)	(107,938)

2. BASIS OF PREPARATION (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Accounting for construction activities (Continued)

Condensed consolidated statement of profit or loss (extracted)	Six months ended 30 September 2018		
	Result without the adoption of HKFRS 15 HK\$'000	Effects of the adoption of HKFRS 15 HK\$'000	Results as reported HK\$'000
Revenue	(356,463)	(657)	(357,120)
Cost of sales	349,359	(179)	349,180
Loss for the period	7,524	(836)	6,688

The condensed consolidated financial statements of the Group have not been audited nor reviewed by the Company's independent auditor but have been reviewed by the Company's audit committee.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2017: two) reportable operating segments as follows:

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

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

	(Unaudited) Three months ended 30 September 2018				(Unaudited) Six months ended 30 September 2018			
	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Property investment HK\$'000	Total HK\$'000	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment revenue:								
Income from external customers	180,862	(920)	138	180,080	360,338	(3,396)	178	357,120
Other income and gains	2,629	—	—	2,629	2,811	—	—	2,811
	183,491	(920)	138	182,709	363,149	(3,396)	178	359,931
Segment results								
Operating profit/(loss)	1,945	(920)	113	1,138	600	(3,396)	200	(2,596)
<i>Reconciliation:</i>								
Interest income				36				82
Unallocated expenses				(1,032)				(2,319)
Finance costs				(960)				(1,877)
Loss before tax				(818)				(6,710)
Other segment information:								
Fair value gain on investment properties	—	—	—	—	—	—	(108)	(108)
Reversal of impairment of accounts receivables	(259)	—	—	(259)	(259)	—	—	(259)
Depreciation	175	—	—	175	438	—	—	438

	(Unaudited) Three months ended 30 September 2017			(Unaudited) Six months ended 30 September 2017		
	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Total HK\$'000	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Total HK\$'000
Segment revenue:						
Income from external customers	235,521	6,840	242,361	435,096	36,124	471,220
Other income and gains	248	—	248	494	—	494
	235,769	6,840	242,609	435,590	36,124	471,714
Segment results						
Operating profit	11,911	6,840	18,751	14,743	36,124	50,867
<i>Reconciliation:</i>						
Interest income			71			163
Unallocated expenses			(1,071)			(2,218)
Finance costs			(853)			(1,668)
Profit before tax			16,898			47,144
Other segment information:						
Loss on disposal of items of property, plant and equipment	6	—	6	31	—	31
Depreciation	206	—	206	411	—	411

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information of income from external customers

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	142,321	171,377	252,009	328,145
Mainland China	37,759	70,984	105,111	138,872
Macau	—	—	—	4,203
	180,080	242,361	357,120	471,220

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate proportion of contract revenue from construction contracting and related business; gains on and dividend income from investment in securities and rental income from property investment.

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

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue				
Income from construction contracting and related business	180,862	235,521	360,338	435,096
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	(920)	6,799	(3,396)	35,998
Dividend income from financial assets at fair value through profit or loss	—	41	—	126
Rental income from property investment business	138	—	178	—
	180,080	242,361	357,120	471,220
Other income and gains				
Bank interest income	36	71	82	163
Gross rental income	—	156	—	310
Others	2,629	92	2,811	184
	2,665	319	2,893	657

5. PROFIT/(LOSS) BEFORE TAX

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

	(Unaudited) Three months ended 30 September 2018		(Unaudited) Six months ended 30 September 2018	
	HK\$'000	2017 HK\$'000	HK\$'000	2017 HK\$'000
Cost of construction contracting	173,968	217,088	349,180	407,281
Depreciation	175	206	438	411
Minimum lease payments under operating leases on land and buildings	660	764	1,331	1,266
Rental income on investment properties	(138)	(156)	(178)	(310)
Less: outgoings	3	23	3	52
Net rental income	(135)	(133)	(175)	(258)
Employee benefit expense (including directors' remuneration):				
Wages and salaries	7,931	7,276	15,199	14,603
Pension scheme contributions*	201	247	558	467
Less: Amount capitalised	(1,989)	(2,951)	(5,428)	(5,904)
	6,143	4,572	10,329	9,166
Directors' remuneration				
Fee	150	150	300	300
Salaries and allowances	879	1,443	1,735	2,238
Pension scheme contribution	35	33	66	64
	1,064	1,626	2,101	2,602
Loss on disposal of items of property, plant and equipment [^]	—	6	—	31
Foreign exchange differences, net [^]	—	—	—	(24)
Reversal of impairment of accounts receivable [^]	(259)	—	(259)	—

* At 30 September 2018, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2018: Nil).

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited) Three months ended 30 September 2018		(Unaudited) Six months ended 30 September 2018	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Interest on bank loans and overdraft	68	65	115	93
Interest on convertible bonds (note 14)	929	838	1,831	1,653
Less: Interest capitalised	(37)	(50)	(69)	(78)
	960	853	1,877	1,668

7. INCOME TAX

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2018 and 2017, 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 September 2018		(Unaudited) Six months ended 30 September 2018	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current — Hong Kong				
Charge for the period	—	900	—	900
Current — Elsewhere				
Charge for the period	—	35	—	35
Deferred	14	(22)	(22)	(78)
	14	913	(22)	857

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (30 September 2017: 1,000,000,000) in issue during the period.

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

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

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Earnings				
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	(729)	15,694	(6,608)	45,460
Interest on convertible bonds (note 6)	929	838	1,831	1,653
Profit/(loss) attributable to ordinary equity holders of the Company before the effect of convertible bonds	200*	16,532	(4,777)*	47,113
	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2018	2017	2018	2017
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Effect of dilution				
— weighted average number of ordinary shares:				
Share options*	—	—	—	—
Convertible bonds	103,000,000	103,000,000	103,000,000	103,000,000
	1,103,000,000*	1,103,000,000	1,103,000,000*	1,103,000,000

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

* The share options granted on 3 February 2016 had an anti-dilutive effect on the basic earnings per share and have not been included in the diluted earnings per share calculation for the six months ended 30 September 2018 and 2017.

Because the diluted loss per share amounts decrease when taking convertible bonds into account for the three months ended 30 September 2018 and six months ended 30 September 2018, the convertible bonds had an anti-dilutive effect on the basic loss per share for this period. Accordingly, they were ignored in the calculation of diluted loss per share in this period. Therefore, the diluted loss per share amounts for the three months ended 30 September 2018 and six months ended 30 September 2018 are based on the loss of HK\$729,000 and HK\$6,608,000 respectively and the weighted average number of ordinary shares in issue of 1,000,000,000 and 1,000,000,000 respectively.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

10. INVESTMENT PROPERTIES

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Carrying amount at beginning of period/year	—	10,961
Net gain/(loss) from fair value adjustment	108	(1,770)
Exchange realignment	—	485
Acquisition	18,753	—
Disposals	—	(9,676)
	<hr/> 18,861	<hr/> —
Carrying amount at end of period/year	18,861	—

As at 30 September 2018, investment properties of the Group with a carrying amount of HK\$18,861,000 (31 March 2018: Nil) were leased to independent third parties.

11. ACCOUNTS RECEIVABLE

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:

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Current to 90 days	83,158	18,795
91 to 180 days	11,824	7,357
181 to 360 days	3,141	6,069
Over 360 days	15,665	12,647
	113,788	44,868
Retention monies receivable	—	55,116
Total	113,788	99,984

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Listed equity investments, at market value	19,535	19,621

The above equity investments at 30 September 2018 and 31 March 2018 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$16,000,000.

13. 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:

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Current to 90 days	9,347	9,381
91 to 180 days	1,028	10,561
181 to 360 days	10,360	7,761
Over 360 days	6,934	11,359
	<hr/> 27,669	<hr/> 39,062

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

14. CONVERTIBLE BONDS

On 18 April 2016, the Group issued 2% convertible bonds with a nominal value of HK\$30,900,000. The bonds are convertible at the option of the bondholders into ordinary shares in the period commencing on 12 months from the issuance date of these convertible bonds and expiring on the date which is seven days preceding 19 April 2019 on the basis of HK\$0.3 per conversion share, subject to adjustments. Any convertible bonds not converted will be redeemed on 19 April 2019 at the nominal value. The convertible bonds carry interest at a rate of 2% per annum, which is payable annually in arrears on 19 April.

The proceeds from the issuance of the convertible bonds of HK\$30,900,000 have been split into liability and derivative components on the issuance date. Upon the issuance of the convertible bonds, the fair value of the derivative component is determined using an option pricing model and this amount is carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the end of the Reporting Period are recognised in profit or loss.

14. CONVERTIBLE BONDS (Continued)

There was no movement in the number of the convertible bonds during the period since its issuance.

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

	Liability component HK\$000	Derivative component HK\$000	Total HK\$000
At 1 April 2017	25,600	8,321	33,921
Interest paid	(618)	—	(618)
Interest expense	3,313	—	3,313
Fair value adjustment	—	(5,851)	(5,851)
	<hr/>	<hr/>	<hr/>
At 31 March 2018 and 1 April 2018	28,295	2,470	30,765
Interest paid	(618)	—	(618)
Interest expense (note 6)	1,831	—	1,831
	<hr/>	<hr/>	<hr/>
At 30 September 2018	29,508	2,470	31,978

15. SHARE CAPITAL

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Authorised:		
4,000,000,000 ordinary shares of HK\$0.025 each	100,000	100,000
	<hr/>	<hr/>
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.025 each	25,000	25,000
	<hr/>	<hr/>

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2018 and 30 September 2018	1,000,000,000	25,000	9,381	34,381
	<hr/>	<hr/>	<hr/>	<hr/>

16. OPERATING LEASE ARRANGEMENTS

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

As at 30 September 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Within one year	1,594	2,606
In the second to fifth years, inclusive	223	558
	1,817	3,164

17. 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 period:

Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Management fees received from a subsidiary of the Company's substantial shareholder (i)	30	13	59	28
Rental expenses paid to a subsidiary of the Company's substantial shareholder (ii)	429	429	858	858
Income from the construction contracting and related services received from an associate of the Company's substantial shareholder (iii)	1,993	—	5,742	—

Notes:

- (i) The management fees received were charged by reference to actual costs incurred for the services provided by the Group.
- (ii) Rental expenses were charged by a subsidiary of the Company's substantial shareholder, Grand On Enterprise Limited, at HK\$143,000 (2017: HK\$143,000) per month.
- (iii) The construction contracting and related service fee was charged in accordance with the service agreement as mutually agreed between the parties.

17. RELATED PARTY TRANSACTIONS (Continued)

(b) 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 the financial statements; and
- (ii) Details of the Group's balances with its related companies as at the end of the Reporting Period are included in the financial statements.

(c) 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 5 to the financial statements.

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

18. 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:

	Carrying amounts		Fair values	
	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Financial assets				
Financial assets at fair value through profit or loss				
Held for trading (note 12)	19,535	19,621	19,535	19,621
Financial liabilities				
Derivative component of convertible bonds	2,470	2,470	2,470	2,470
Liability component of convertible bonds	29,508	28,295	29,508	30,512
	31,978	30,765	31,978	32,982

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

The fair value of listed equity investments is based on quoted market price.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair value of the liability component of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk. The fair value of the derivative component of the convertible bonds has been estimated using a valuation technique of binomial model that incorporates various market unobservable or observable inputs including risk-free rate, volatility, liquidity discount and risky discount rate. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the statement of financial position, and the related changes in fair value, which are recorded in profit or loss, are reasonable, and that it was the most appropriate value at the end of the Reporting Period.

The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 September 2018

	(Unaudited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss	19,535	—	—	19,535

As at 31 March 2018

	(Audited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss	19,621	—	—	19,621

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 30 September 2018

	(Unaudited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative component of convertible bonds	—	—	2,470	2,470

As at 31 March 2018

	(Audited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative component of convertible bonds	—	—	2,470	2,470

During the period, 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 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

The Group's turnover for the six months ended 30 September 2018 recorded at approximately HK\$357,120,000 which represented a decrease of 24% from approximately HK\$471,220,000 for the six months ended 30 September 2017. For construction segment, turnover for the six months ended 30 September 2018 recorded at approximately HK\$360,338,000 which represented a decrease of 17% from approximately HK\$435,096,000 for the six months ended 30 September 2017. For investment in marketable securities segment, turnover for the six months ended 30 September 2018 recorded at a loss of approximately HK\$3,396,000 which represented a significant decrease of 109% from a profit of approximately HK\$36,124,000 for the six months ended 30 September 2017. For property investment segment, turnover for the six months ended 30 September 2018 recorded at approximately HK\$178,000.

(i) Construction Segment

(a) Building construction works:

For the six months ended 30 September 2018, revenue recorded from this section amounted to approximately HK\$75,188,000 (six months ended 30 September 2017: HK\$98,646,000).

The significant decrease by 24% was due to the decrease of turnover for the site formation and foundation works for a residential house redevelopment at Peak Road, Hong Kong which was almost complete for the year ended 31 March 2018, thus just few portion of revenue was recognised in this Reporting Period. Besides in last year, the variation order works was recognised for the main contractor works for four residential houses at Stubbs Road, Hong Kong of which the corresponding main contract was completed at the year ended 31 March 2015. No such revenue was recognised in this Reporting Period.

The above decrease was partly offset due to the additional turnover recognised for main contractor works for one residential redevelopment works including E&M works at Peak Road, Hong Kong which was commenced in January 2018, thus no revenue was recognised in last reporting period.

(b) *Electrical and mechanical engineering works:*

For the six months ended 30 September 2018, revenue recorded at this section amounted to approximately HK\$94,725,000 (six months ended 30 September 2017: HK\$143,173,000).

The significant decrease by approximately 34% was due to the substantial completion of some projects before 31 March 2018 and therefore less revenue was recognised in this Reporting Period. These projects include: (i) building services installation works of two special schools at Sung On Street, To Kwa Wan, Kowloon, Hong Kong; (ii) building services installation works of 36-classroom primary school in Area 36 at Fanling, New Territories, Hong Kong; (iii) term contract for building services installation works at Sogo Department Store, Causeway Bay, Hong Kong; (iv) triennial term contract for the maintenance & repair of alterations and additions fire services installations for the Health Services Buildings in Hong Kong Region and Outlying Islands; and (v) electrical installation at Lot 1003 in Demarcation District No 40, Sha Tau Kok, New Territories, Hong Kong.

The above decrease was partly offset by (i) the additional work done during this Reporting Period for the school redevelopment project at Ying Wa Girls' School; and (ii) new contracts commenced after last reporting period which included the interior renovation works at Sogo Department Store, Causeway Bay, Hong Kong and term contract for building services works at Sogo Department Store, Causeway Bay, Hong Kong.

(c) *Fitting-out works:*

For the six months ended 30 September 2018, revenue recorded at this section amounted to approximately HK\$190,425,000 (six months ended 30 September 2017: HK\$193,277,000).

The decrease by 2% was due to (i) the completion of a fitting-out work contract of residential house at Henderson Road, Hong Kong in May 2017; (ii) the completion of fitting-out works of a office at China Insurance Group Building, Central, Hong Kong; and (iii) the amount received in last reporting period for a project at Beijing, the PRC, that has dispute with the client. No further amount was received in current Reporting Period and therefore no revenue was recognised in this Reporting Period.

The above decrease was partly offset by the commencement of two fitting-out works contracts of (i) another residential house at Henderson Road, Hong Kong in April 2017 from which more revenue was recognised in this Reporting Period; and (ii) a locker room of a sports hall in Hebei, the PRC, in January 2018.

Due to the keen competition of fitting-out services, comparatively less contract revenue was received during the Reporting Period. The Group will continue to stay positive to acquiring new contracts.

(ii) Investment in Marketable Securities Segment

For the six months ended 30 September 2018, loss recorded from this segment amounted to approximately HK\$3,396,000 (six months ended 30 September 2017: revenue of HK\$36,124,000).

As at 30 September 2018, the Group managed a portfolio of listed equity investments with fair value of approximately HK\$20 million (31 March 2018: HK\$20 million) which are classified as financial assets at fair value through profit or loss.

During the Reporting Period, the Group recorded (i) a unrealised loss on fair value change of listed equity investments of approximately HK\$3,360,000 (six months ended 30 September 2017 unrealised gain: HK\$7,456,000); (ii) a realised loss of approximately HK\$36,000 (six months ended 30 September 2017 realised gain: HK\$28,542,000); and (iii) no dividend income received from equity investments (six months ended 30 September 2017: HK\$126,000). Details of the marketable securities are disclosed under the section “**SIGNIFICANT INVESTMENTS**”.

(iii) Property Investment Segment

For the six months ended 30 September 2018, revenue recorded from this segment amounted to approximately HK\$178,000 (six months ended 30 September 2017: Nil). It was mainly attributable from rental income earned from the investment properties.

In March 2018, the Group has entered into a sale and purchase agreement with a third party to acquire entire share capital of a company which is principally engaged in property holding investment for a consideration of HK\$8,500,000. The property is located at Jordan, Kowloon, Hong Kong with saleable area of 652 square feet. The transaction was completed on 30 April 2018. In May 2018, the Group has entered into another sale and purchase agreement to acquire a property holding company for a consideration of HK\$10,300,000. The property is located at Wanchai, Hong Kong with saleable area of 681 square feet. The transaction was completed on 29 June 2018.

Both properties are located in a prime area of Hong Kong, which is near the MTR station. Tenancy agreements will be entered into or renewed upon expiry of the current leases in respect of both properties after completion in order to earn additional income for the Group. The Board considers that the acquisition is a sound investment which could provide potential capital appreciation opportunity and recurring cashflow to the Group. The Group's existing portfolio consists of commercial properties in Hong Kong. The acquisition, which involves rental income earned from commercial properties in Hong Kong, will strengthen the Group's portfolio and its presence at the market.

Due to the (i) loss incurred in E&M works because of market cost escalations both in labour and material throughout contracts period and extra costs for extended contract period in some projects as well for the six months ended 30 September 2018; (ii) drop of the market value of the marketable securities on hand as at 30 September 2018, an unrealised loss was noted from the trading of marketable securities for the six months ended 30 September 2018; and (iii) significant drop of the realised gain on the disposal of the marketable securities, the net loss attributable to owners of the Company for this Reporting Period is approximately HK\$6,608,000 as compared with the net profit attributable to owners of the Company which amounted to approximately HK\$45,460,000 for the six months ended 30 September 2017.

Status of the legal case

As announced in the announcement of the Company dated 21 December 2017, the Group has reported to the Beijing Public Security Bureau a suspected case of internet fraud which involved fraudulent transfers of funds of approximately HK\$22 million (approximately RMB19 million) from the bank account of Beijing Chang-de Architectural Decoration Co., Limited, a 60% owned subsidiary (the "**Beijing Chang-De**"). The matter is currently under the investigation of the Beijing Public Security Bureau. The Group has instructed its legal advisers in Mainland China to issue a letter to seek damages from the PRC bank involved for failure to notify Beijing Chang-De of the irregular internet banking transactions or preventing further payments to be made online, as required under the relevant banking rules and regulations under the PRC laws. As at the date of this report, we are unable to ascertain the recoverability of the funds transferred.

In relation to the above matter, Beijing Chang-De has immediately: (i) established an investigation committee to investigate and report on the matter; (ii) commenced civil proceedings against the personnel involved for professional negligence and misconduct for damages caused while at the same time seek a property preservation order during the proceedings; (iii) terminated the employment contract of the personnel involved in accordance with the statutory requirements and sued such personnel for fraud; and (iv) reported to the relevant accounting association on the professional negligence and misconduct of the relevant personnel involved.

Financial Review

Turnover

For the six months ended 30 September 2018, the Group's turnover amounted to approximately HK\$357 million, decreased by 24% as compared to the last period. The decrease in turnover was mainly due to (i) the decrease in turnover arising from the projects of the construction business; and (ii) the significant drop in the realised gain recognised for disposal of the marketable securities.

Gross profit margin

Our gross profit decreased by approximately HK\$56 million or 88%, from approximately HK\$63.9 million for the six months ended 30 September 2017 to approximately HK\$7.9 million for the six months ended 30 September 2018. The decrease in gross profit was mainly arising from the unrealised loss on fair value change of listed equity investments on hand as at 30 September 2018.

During the six months ended 30 September 2018, the gross profit margin was approximately 2.2%, down significantly by 11.4 percentage points as compared to last period's 13.6%. This is mainly because of (i) change from gain from the investment in security segment in last report period to an unrealised loss incurred for the fair value change of the listed securities; and (ii) loss incurred for the E&M works.

After excluding the portion generating from the investment in marketable securities segment, the gross profit margin for this Reporting Period was approximately 3.0%, down by 3.4 percentage points as compared to last period's 6.4%. The significant decrease was due to loss incurred for the E&M section.

Other income

Other income increased by approximately HK\$2.2 million or 340% from approximately HK\$657,000 for the six months ended 30 September 2017 to approximately HK\$2,893,000 for the six months ended 30 September 2018. The increase is mainly because of the compensation received from a winding up company which related to a long outstanding contracts amount which full provision has already been made in previous years.

Administrative expenses

Administrative expenses increased by approximately HK\$0.3 million or 2% from approximately HK\$15.7 million for the six months ended 30 September 2017 to approximately HK\$16.0 million for the six months ended 30 September 2018. The increase was mainly because of the additional staff cost incurred due to annual review of the salary.

Finance costs

Finance costs increased by approximately HK\$0.2 million or 13% from approximately HK\$1.7 million for the six months ended 30 September 2017 to approximately HK\$1.9 million for the six months ended 30 September 2018. The increase was mainly due to the increase in interest of liability component of the convertible bonds.

Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

Liquidity and financial resources

The Group continued to maintain a suitable liquid position. As at 30 September 2018, the Group had cash and cash equivalents of HK\$35,162,000 (31 March 2018: HK\$54,314,000) mainly in Hong Kong dollars and Renminbi. As at 30 September 2018, the Group had total assets of HK\$415,954,000 (31 March 2018: HK\$403,172,000). The Group's current ratio at 30 September 2018 was 1.32 compared to 1.60 at 31 March 2018.

As at 30 September 2018, the gearing ratio for the Group is 1% (31 March 2018: 18%). It was calculated based on the non-current liabilities of HK\$1,106,000 (31 March 2018: HK\$29,423,000) and long term capital (equity and non-current liabilities) of HK\$131,321,000 (31 March 2018: HK\$164,764,000).

Capital expenditure

Total capital expenditure for the six months ended 30 September 2018 was approximately HK\$18,814,000, which was mainly used in the purchase of investment properties.

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\$19,125,000 (31 March 2018: HK\$19,400,000); and
- (ii) the pledge of the Group's deposits of HK\$26,277,000 (31 March 2018: HK\$26,236,000).

Treasury policies

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

Exchange risk exposure

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

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

Capital structure of the Group

There is no change in capital structure of the Group during the period ended 30 September 2018.

As at 30 September 2018, the Company had outstanding convertible bonds with the aggregate principal amount of HK\$30,900,000 held by six independent third parties.

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

PROSPECT

(i) Construction Business

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" and the Register of General Building Contractors and the Registers of Specialist Contractors (Site Formation Works, Foundation Works and "Registration of Specialist Contractor (Ventilation)" Categories) under the Buildings Department. 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 were granted such as site formation and foundation works at Peak Road, Hong Kong, interior renovation works for Sogo office at East Point Centre, Causeway Bay, Hong Kong, fitting-out works at No.48 Stubbs Road, Hong Kong, fitting-out works at Pik Sha Road, Sai Kung, fitting-out works of a residential at Guanghai New Town Residential District, Beijing, the PRC, fitting-out works of offices at Beijing Capital International Airport, the fitting-out works of an office at Xicheng, Beijing, the PRC and a redevelopment project of a kindergarten at Shunyi, Beijing, the PRC. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,436 million.

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

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

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

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

(ii) Investment in Securities Business

Regarding the investments in securities business, 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 to generate additional investment return on available funds of the Group from time to time.

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

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

(iii) Property Investment Business

In March 2018, the Group has entered into a sale and purchase agreement with a third party to acquire entire share capital of a company which is principally engaged in property holding investment for a consideration of HK\$8,500,000. The property is located at Jordan, Kowloon, Hong Kong with saleable area of 652 square feet. The transaction was completed on 30 April 2018. In May 2018, the Group has entered into another sale and purchase agreement to acquire a property holding company for a consideration of HK\$10,300,000. The property is located at Wanchai, Hong Kong with saleable area of 681 square feet. The transaction was completed on 29 June 2018.

Both properties are located in a prime area of Hong Kong, which is near the MTR station. Tenancy agreements will be entered into or renewed upon expiry of the current leases in respect of both properties after completion in order to earn additional income for the Group. The Board considers that the acquisition is a sound investment which could provide potential capital appreciation opportunity and recurring cashflow to the Group. The Group’s existing portfolio consists of commercial properties in Hong Kong. The acquisition, which involves a commercial property in Hong Kong, will strengthen the Group’s portfolio and its presence at the market.

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

SIGNIFICANT INVESTMENTS

As at 30 September 2018, The Group held approximately HK\$20 million financial assets at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock Code	Place of incorporation	Unrealised fair value gain/(loss) HK\$'000	Market values HK\$'000	Approximate percentage of financial assets at fair value through profit or loss %	Approximate percentage to the net assets of the Group %
SOHO China Limited	1	410	Cayman Islands	(32)	91	0.47	0.07
Singamas Container Holdings Limited	2	716	Hong Kong	(13)	118	0.60	0.09
Shun Wo Group Holdings Limited	3	1591	Cayman Islands	(1,377)	2,565	13.13	1.97
Pantronics Holdings Limited	4	1611	British Virgin Islands	5,277	7,041	36.04	5.41
EJE (Hong Kong) Holdings Limited	5	8101	Cayman Islands	(6,300)	6,480	33.17	4.98
Koala Financial Group Limited	6	8226	Cayman Islands	(606)	240	1.23	0.18
FSM Holdings Limited	7	1721	Cayman Islands	(309)	3,000	15.36	2.30
				(3,360)	19,535	100.00	15.00

Notes:

- SOHO China Limited is principally engaged in real estate development, property leasing and property management. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately RMB34,939,542,000 as at 30 June 2018.
- Singamas Container Holdings Limited is principally engaged in (i) manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, US domestic containers, offshore containers, other specialized containers and container parts and (ii) provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling and other container related services. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately USD882,608,000 as at 30 June 2018.
- Shun Wo Group Holdings Limited is engaged in undertaking foundation works in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$162,371,000 as at 31 March 2018.
- Pantronics Holdings Limited is principally engaged in the electronic manufacturing services. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$114,396,000 as at 31 March 2018.

5. EJE (Hong Kong) Holdings Limited is principally engaged in (i) the design, manufacture and sale of mattress and soft bed products; (ii) securities investment; (iii) property investment in Hong Kong; (iv) money lending in Hong Kong; and (v) manufacture of custom-made furniture in the PRC. No dividend was received during the period. According to its latest published financial statements, it had a net asset value of approximately HK\$334,205,000 as at 31 March 2018.
6. Koala Financial Group Limited is principally engaged in (i) securities investment; (ii) trading of commodities; (iii) trading of garment accessories; (iv) manufacturing and sales of LED digital display products; (v) provision of securities placing and brokerage services; (vi) money lending; and (vii) leasing of investment properties. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$242,886,000 as at 30 June 2018.
7. FSM Holdings Limited is principally engaged in principally engage in precision engineering and sheet metal fabrication business. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately Singapore Dollar 17,165,000 as at 30 June 2018.

During the six months ended 30 September 2018, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$2 million and loss recognised in revenue for the amount of HK\$36,000. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/(loss) HK\$'000
DTXS Silk Road Investment Holdings Company Limited	620	Bermuda	817	(15.3)
Pantronics Holdings Limited	1611	BVI	36	1.7
GCL-Poly Energy Holdings Limited	3800	Cayman Islands	1,516	(22.8)
			2,369	(36.4)

In view of the recent volatility 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.

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 30 September 2018.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 2018, there were no material acquisition and disposal of subsidiaries and affiliated companies by our Group.

HUMAN RESOURCES

As at 30 September 2018, the Group had 115 employees, 42 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the six months ended 30 September 2018 amounted to approximately HK\$15.8 million as compared to approximately HK\$15.1 million for the same period in 2017, the increase was mainly due to the increment of salary under the yearly review in the current period.

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the "**Scheme**") on 11 August 2015, the Company adopted the Share Option Scheme. Under the terms of the Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. The Scheme became effective on 10 August 2015 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Company had 80,000,000 share options available for issue under the Scheme, which represented approximately 8% of the issued shares of the Company as at 30 September 2018.

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 2018	Granted during the period	Exercised during the period	At 30 September 2018			Exercise price of share options* HK\$ per share	At grant date of options HK\$ per share
Directors:								
Keung Kwok Cheung	2,400,000	—	—	2,400,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Kwok Koon Keung	2,200,000	—	—	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lo Wing Ling	2,200,000	—	—	2,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong Chi King	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Lee Tho Siem	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Cheung Ting Kee	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Ong King Keung	1,000,000	—	—	1,000,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
	10,800,000	—	—	10,800,000				
Other employees, in aggregate	7,200,000	—	—	7,200,000	3 February 2016	3 February 2016 to 2 February 2019	0.28	0.255
Total	18,000,000	—	—	18,000,000				

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

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

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

As at 30 September 2018, the interests and short positions of the each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any associated corporation (within in the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules, were as follows:

A. Long positions in ordinary shares of the Company

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

- * The options were granted on 3 February 2016 with consideration of HK\$1 under the Share Option Scheme adopted by the Company. The above options could be exercised from the date of grant to 2 February 2019 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$0.025 each in the Company at an initial exercise price of HK\$0.28 per share. None of the options were exercised by any of the above Directors during the 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 338,414,868 shares in the Company (being aggregate of 26,645,000 shares in the Company held by Sparta Assets and 311,769,868 shares in the Company indirectly owned by DDIHL (through 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 Directors	Exercise price per share HK\$	Number of underlying ordinary shares of HK\$0.025 each in the Company in respect of which options have been granted
		Balance as at 30 September 2018
Mr. Keung Kwok Cheung	0.28	2,400,000
Mr. Kwok Koon Keung	0.28	2,200,000
Mr. Lo Wing Ling	0.28	2,200,000
Mr. Ong Chi King	0.28	1,000,000
Mr. Lee Tho Siem	0.28	1,000,000
Mr. Cheung Ting Kee	0.28	1,000,000
Mr. Ong King Keung	0.28	1,000,000

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

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

Name of Directors	Number of ordinary shares of HK\$0.10 each in DDIHL		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) (Note 1)	418,596,600	42.81%
Mr. Keung Kwok Cheung	300,000(L)	—	300,000	0.03%
Mr. Kwok Koon Keung	1,500(L)	—	1,500	—
Mr. Lee Tho Siem	1,785,000(L) (Note 2)	—	1,785,000	0.18%

Notes:

(L) denotes long position.

1. Mr. Tjia beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. Sparta Assets directly beneficially owned 349,935,000 shares in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 349,935,000 shares in DDIHL held by Sparta Assets.
2. Mr. Lee Tho Siem directly beneficially owned 1,110,000 shares and is deemed 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.

As at 30 September 2018, 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 September 2018, 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 September 2018, so far as is known to the Directors of the Company, the following persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

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

Notes:

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

Save as disclosed above, as at the 30 September 2018, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

AUDIT COMMITTEE

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

The unaudited interim results of the Company for the six month ended 30 September 2018 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, 7 November 2018

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