迪臣建設國際集團有限公司

Deson Construction International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8268

ANNUAL REPORT 2019

Construction & Fitting-out Projects

House B, No.75 Peak Road (R.B.L. 670 R.P.)

Superstructure Works

Main contractor for one prestige residential house including electrical & mechanical engineering ("E&M") installation

(CR Construction / Deson Consortium)

House A, No.75 Peak Road (R.B.L. 670 S.A.)

Superstructure works

Main contractor for one prestige residential house including E&M installation

No.270-274 Chatham Road North, Hung Hom

Alteration & additional works including E&M installation

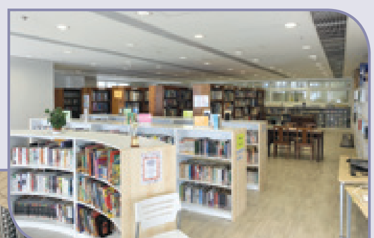
Electrical & Mechanical Engineering Projects

Hong Kong Observatory Headquarters

Mechanical Ventilation and Air Conditioning ("MVAC") Installation

Ying Wa Girls' School

MVAC Installation



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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.*

Contents

BOARD OF DIRECTORS

Executive Directors

Mr. Keung Kwok Cheung *(Chief Executive Officer)*
Mr. Kwok Koon Keung
Mr. Lo Wing Ling
Mr. Ong Chi King

Non-Executive Directors

Mr. Tjia Boen Sien *(Chairman)*
Mr. Ong King Keung

Independent Non-Executive Directors

Mr. Lee Tho Siem
Mr. Cheung Ting Kee
Mr. Chan Ka Yin

BOARD COMMITTEES

Audit Committee

Mr. Chan Ka Yin *(Chairman)*
Mr. Lee Tho Siem
Mr. Cheung Ting Kee

Remuneration Committee

Mr. Lee Tho Siem *(Chairman)*
Mr. Chan Ka Yin
Mr. Cheung Ting Kee
Mr. Keung Kwok Cheung
Mr. Tjia Boen Sien

Nomination Committee

Mr. Lee Tho Siem *(Chairman)*
Mr. Chan Ka Yin
Mr. Cheung Ting Kee
Mr. Keung Kwok Cheung
Mr. Tjia Boen Sien

Internal Control Committee

Mr. Chan Ka Yin *(Chairman)*
Mr. Lee Tho Siem
Mr. Cheung Ting Kee

FINANCIAL CONTROLLER AND COMPANY SECRETARY

Mr. Lam Wing Wai, Angus *(HKICPA)*

COMPLIANCE OFFICER

Mr. Keung Kwok Cheung

AUTHORISED REPRESENTATIVES

Mr. Keung Kwok Cheung
Mr. Lam Wing Wai, Angus

AUDITOR

Ernst & Young

LEGAL ADVISERS

Appleby
Howse Williams

REGISTERED OFFICE

Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman
KY1-1108, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor, Nanyang Plaza
No. 57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Dah Sing Bank, Limited
Nanyang Commercial Bank Limited

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 8268

WEBSITE

www.deson-c.com

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of Deson Construction International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present this annual report (the "**Annual Report**") and the audited consolidated financial statements of the Group for the year ended 31 March 2019 ("**Reporting Period**").

ACQUISITION OF CONTROLLING INTEREST AND CONDITIONAL MANDATORY CASH OFFER

The Board noted that, in the joint announcement dated 12 April 2019 (the "**Joint Announcement**"), Deson Development International Holdings Limited ("**DDIHL**"), the Company and Energy Luck Limited ("**Energy Luck**") jointly announced that Energy Luck has entered into a sale and purchase agreement with Deson Development Holdings Limited ("**DDHL**") to acquire approximately 31.18% of the issued shares of the Company ("**DDIHL Transaction**"). Upon completion of the DDIHL Transaction, Energy Luck will become the controlling shareholder of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, following the completion of the DDIHL Transaction, Energy Luck is required to make a mandatory conditional general offer in cash for all the issued shares other than those already owned or agreed to be acquired by Energy Luck and its concert parties (the "**Offers**"). For details, please refer to (i) the Joint Announcement; (ii) the announcement of the Company dated 17 May 2019 in relation to the appointment of an independent financial adviser; (iii) the circular of DDIHL dated 24 May 2019 in relation to the disposal of 31.18% shareholding in the Company to Energy Luck; (iv) the announcement of DDIHL dated 11 June 2019 in relation to the poll results of the special general meeting of DDIHL held on 11 June 2019; (v) the announcement of the Company dated 12 June 2019 in respect of the satisfaction of the conditions under the sale and purchase agreement and the expected date of completion; (vi) the joint announcement of the Company, DDIHL and Energy Luck dated 18 June 2019 in relation to the completion of the DDIHL Transaction; and (vii) the composite offer document relating to the Offers made by Energy Luck expected to be despatched in or about July 2019.

FINANCIAL PERFORMANCE

The Group's turnover for the year ended 31 March 2019 recorded at approximately HK$645.8 million which represented a decrease of approximately 18% from approximately HK$792.0 million for the year ended 31 March 2018. For construction segment, turnover for the year ended 31 March 2019 recorded at approximately HK$651.1 million which represented a decrease of 13% from approximately HK$748.7 million for the year ended 31 March 2018. For investment in securities segment, turnover for the year ended 31 March 2019 recorded a loss at approximately HK$5.7 million which represented a decrease of 113% from a profit approximately HK$43.3 million for the year ended 31 March 2018. For the new property investment segment, turnover for the year ended 31 March 2019 recorded at approximately HK$0.4 million. The Group recorded a net loss attributable to owners of the Company of approximately HK$14.9 million for the year ended 31 March 2019.

OUTLOOK

In light of the core difficulties in the construction industry, the Group intends to implement a more prudent approach in project selection in the upcoming year; that is to say, the Group will selectively place tenders to well-established contractors and remarkable business partners to ensure steady projects in hand and sound receivables.

Chairman's Statement

Upcoming year might not be easy for the construction business sector. We are faced with cut-throat competition among contractors in tendering for new projects, we are mindful not to reduce our profit margin without considering the negative impact to our shareholders' interest. In the coming year, we believe the construction market in Hong Kong will remain competitive and challenging. However, the long established relationship with our customers, subcontractors and suppliers and the commitment of our management team to provide quality work and service has played a vital role in building up our reputation and the Group's competitiveness in the market.

Due to the volatility of the stock market, the Group tends to diversify our business and broaden our revenue base. More resources will be allocated to property investment business at Hong Kong. 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 at the 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. Total revenue earned for this new segment is approximately HK$454,000 for this Reporting Period.

In March 2019, the Group has entered into another sale and purchase agreement with another independent third party to acquire two more properties through two property holding companies for a consideration of HK$19,500,000. These properties are located at Wanchai, Hong Kong with saleable area of 1,220 square feet. The transaction is expected to be completed in August 2019.

The Company will closely monitor the market trend and respond to it with new products and services that are profitable in the new era.

APPRECIATION

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

Tjia Boen Sien
Chairman

Hong Kong, 21 June 2019

BUSINESS REVIEW

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

The Group's turnover for the year ended 31 March 2019 recorded at approximately HK$645,835,000 which represented a decrease of approximately 18% from approximately HK$792,010,000 for the year ended 31 March 2018. For construction segment, turnover for the year ended 31 March 2019 recorded at approximately HK$651,102,000 which represented a decrease of 13% from approximately HK$748,651,000 for the year ended 31 March 2018. For investment in marketable securities segment, turnover for the year ended 31 March 2019 recorded at a loss of approximately HK$5,721,000 which represented a decrease of 113% from a profit of approximately HK$43,359,000 for the year ended 31 March 2018. For property investment segment, turnover for the year ended 31 March 2019 recorded at approximately HK$454,000.

(i) Construction Segment

(a) Building construction works:

For the year ended 31 March 2019, revenue recorded at this section amounted to approximately HK$163,239,000 (2018: HK$149,206,000). The increase by approximately 9% was due to the additional turnover recognised for (i) the main contractor works regarding one residential redevelopment works including E&M works at Peak Road House A, Hong Kong which commenced in January 2018; (ii) the site formation and foundation works at Peak Road Zone C, Hong Kong which commenced in June 2018; and (iii) superstructure work for one residential home including E&M works at Peak Road House B (through an unincorporated company). No revenue was recognised for these projects in the last reporting period.

The above increase was partly offset by the decrease in turnover due to near completion of the site formation and foundation works for a residential house redevelopment at Peak Road Zone A and Zone B, Hong Kong for the year ended 31 March 2018 and thus just a few portion of the revenue was recognised in this Reporting Period. Besides, the revenue generated from the variation order works for main contractor works in respect of four residential houses at Stubbs Road, Hong Kong of which the corresponding main contract was completed in the year ended 31 March 2015 were recognised in the last reporting period and therefore less amount was recognised in this Reporting Period.

(b) E&M works:

For the year ended 31 March 2019, revenue recorded from this section amounted to approximately HK$161,570,000 (2018: HK$242,786,000).

The significant decrease by approximately 33% 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) the building services installation works of two special schools at Sung On Street, To Kwa Wan, Kowloon, Hong Kong; (ii) the building services installation works of 36-classroom primary school at Area 36 in Fanling, New Territories, Hong Kong; (iii) the supply and installation of fire services for redevelopment of a church at Queen's Road East, Hong Kong; and (iv) the electrical installation at Lot 1003 at 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, term contract for building services works at Sogo Department Store, Causeway Bay, Hong Kong and new term contract commencing from January 2018 for maintenance and repair of alteration and addition to fire service installation for health services building in Hong Kong.

(c) Fitting-out works:

For the year ended 31 March 2019, revenue recorded from this section amounted to approximately HK$326,293,000 (2018: HK$356,659,000).

The decrease by approximately 9% was resulted from (i) the completion of a fitting-out work contract of a residential house at Henderson Road, Hong Kong in May 2017; (ii) the completion of fitting-out works of an office at the China Insurance Group Building, Central, Hong Kong; (iii) alteration and addition works for East Point Centre, Causeway Bay, Hong Kong; and (iv) the amount received in the last reporting period for a project in Beijing, the PRC, that was in dispute with a client. No further work was performed in the Reporting Period and therefore no revenue was recognised in this Reporting Period.

The above decrease was partly offset due to the increase in revenue generated from following projects which commenced in this Reporting Period: (i) the fitting-out works of House A at Stubbs Road, Hong Kong in April 2018; (ii) the fitting-out works of a locker room of a sports hall in Hebei, the PRC in January 2018; and (iii) the fitting-out works at Pik Sha Road, Hong Kong in July 2018.

(ii) Investment in Securities Segment

For the year ended 31 March 2019, loss recorded from this segment amounted to approximately HK$5,721,000 (2018: income of HK$43,359,000).

As at 31 March 2019, the Group managed a portfolio of listed equity investments with fair value of approximately HK$22 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) an unrealised loss on fair value change of listed equity investments of approximately HK$5,003,000 (31 March 2018: unrealised gain of HK$9,736,000); (ii) a realised loss of approximately HK$720,000 (31 March 2018: realised gain of HK$33,463,000); and (iii) dividend income received from equity investments of approximately HK$2,000 (31 March 2018: HK$160,000). Details of the marketable securities are disclosed under the sub-section headed "**SIGNIFICANT INVESTMENTS**" in this section.

(iii) Property Investment Segment

For the year ended 31 March 2019, revenue recorded from this segment amounted to approximately HK$454,000 (31 March 2018: Nil). It was mainly attributable to 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 the 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 in Jordan, Kowloon, Hong Kong with a 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 in Wanchai, Hong Kong with a 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 in order to generate additional income for the Group. The Board considered that the acquisitions are 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 acquisitions, which involved 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 rising costs consistent with the market conditions both in labour and materials throughout the contractual period and extra costs for extended contractual period in some projects as well for the year ended 31 March 2019; (ii) fair value loss of the marketable securities for the year ended 31 March 2019; and (iii) loss incurred for the fitting-out works of Beijing subsidiary, the net loss attributable to owners of the Company for this Reporting Period is approximately HK$14,917,000 as compared with the net profit attributable to owners of the Company which amounted to approximately HK$38,831,000 for the year ended 31 March 2018. The above decrease was partly offset by the provision for cash loss arising from certain suspicious internet frauds which involved fraudulent transfers of funds of approximately HK$22 million from the bank account of Beijing Chang-de Architectural Decoration Co., Limited ("**Beijing Chang-de**"), a 60%-owned subsidiary, in the last reporting period. No such loss was recognised in this Reporting Period. Details of the case are included in the sub-section headed "**Status of the legal case**" of this section.

Basic loss per share is HK1.49 cents for the year ended 31 March 2019.

STATUS OF THE LEGAL CASE

As stated 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. The matter is currently under the investigation of the Beijing Public Security Bureau. The Group has instructed its legal advisers in the PRC 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 sought 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.

On 7 September 2018, a writ of summons was filed to Chaoyang District People's Court of Beijing Municipality of the PRC.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2019, the Group's turnover amounted to approximately HK$646 million (2018: approximately HK$792 million), decreased by approximately 18% as compared to the last reporting 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 decrease in the fair value gain on equity investments at fair value through profit or loss.

Gross profit margin

The Group's gross profit decreased significantly by approximately HK$65.5 million or approximately 77%, from approximately HK$85.3 million for the year ended 31 March 2018 to approximately HK$19.8 million for the year ended 31 March 2019. The decrease in gross profit was mainly arising from the fair value loss for the marketable securities.

During the year ended 31 March 2019, the gross profit margin was approximately 3.1%, down by 7.7 percentage point as compared to last year's 10.8%. This is mainly because of (i) the change from gain from the equity investment in security segment in the last report period to a loss incurred in this Report Period for the same segment; and (ii) loss incurred for the E&M section.

After excluding the portion generating from the investment in marketable securities segment and property investment segment, the gross profit margin for this Reporting Period was approximately 3.8%, down by 1.8 percentage points as compared to the last period's 5.6%. The significant decrease was due to the loss incurred for the E&M section.

Other income and gains

Other income and gains increased by approximately HK$2.1 million or 162% from approximately HK$1.3 million for the year ended 31 March 2018 to approximately HK$3.4 million for the year ended 31 March 2019. The increase is mainly due to the bad debt recovery from a winding-up customer which related to a long outstanding contracts amount in which a full provision was made in the previous years.

Administrative expenses

Administrative expenses decreased by approximately HK$0.5 million or 1% from approximately HK$37.4 million for the year ended 31 March 2018 to approximately HK$36.9 million for the year ended 31 March 2019. The slight decrease was mainly attributable to the decrease of staff cost of Beijing Chang-de in view of its decrease in number of staff.

Other operating expenses, net

Other operating expenses, net decreased significantly by approximately HK$11.3 million or 79% from approximately HK$14.4 million for the year ended 31 March 2018 to approximately HK$3.1 million for the year ended 31 March 2019. The last year's amount mainly represented the net effect of (i) the provision for cash loss arising from certain suspicious internet frauds which involved fraudulent transfers of funds of approximately HK$22 million from the bank account of Beijing Chang-de; and (ii) the fair value gain on derivative component of the convertible bonds arising from the drop of share price of the Company amounting to approximately HK$6 million. A fair value gain of approximately HK$2 million on the derivative component of the convertible bonds was recorded in this Reporting Period.

Finance costs

Finance costs increased by approximately HK$0.2 million or 8% from approximately HK$3.5 million for the year ended 31 March 2018 to approximately HK$3.7 million for the year ended 31 March 2019. The slight increase was mainly due to the increase in interest of liability component of the convertible bonds.

Liquidity and financial resources

The Group continued to maintain a suitable liquid position. As at 31 March 2019, the Group had cash and cash equivalents of approximately HK$75,327,000 (2018: HK$54,314,000) which are mainly denominated in Hong Kong dollar and Renminbi. As at 31 March 2018, the Group had total assets of approximately HK$415,118,000 (2018: HK$403,172,000). The Group's current ratio at 31 March 2019 was approximately 1.19 (2018: 1.60).

As at 31 March 2019, the gearing ratio for the Group is approximately 1% (2018: 18%). It was calculated based on the non-current liabilities of approximately HK$1,397,000 (2018: HK$29,423,000) and long term capital (equity and non-current liabilities) of approximately HK$101,110,000 (2018: HK$164,764,000).

Capital expenditure

Total capital expenditure for the Reporting Period was approximately HK$18,937,000 (2018: HK$129,000), which mainly represented acquisition of investment properties.

Contingent liabilities

At the end of the Reporting Period, the Group had no significant contingent liabilities.

Commitments

At the end of the Reporting Period, the Group had capital commitments contracted but not provided for of approximately HK$16,575,000, representing the sale and purchase agreement entered into as disclosed in the sub-section headed "**Events after the Reporting Period**" in this section.

Charges on group assets

Assets with a carrying value of approximately HK$47,928,000 were pledged as security for the Group's banking facilities.

Treasury policies

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

Exchange risk exposure

The Group's foreign exchange risk mainly arises from balances denominated in Renminbi, which relates to the Group's 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 year ended 31 March 2019.

As at 31 March 2019, the Company had outstanding convertible bonds with an aggregate principal amount of HK$30,900,000.

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.

Subsequent to the end of the Reporting Period, the convertible bonds had already been fully redeemed by the Company.

PROSPECTS

(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 Group has adopted a prudent strategy in project tendering.

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

During the year, new projects such as site formation and foundation works at Peak Road Zone C, Hong Kong, the main contractors works including E&M works of one residential house at Peak Road (through an unincorporated company), E&M works for proposed residential redevelopment at Pok Fu Lam Road, Hong Kong, interior renovation works for Sogo office at East Point Centre, Causeway Bay, Hong Kong, the replacement of air-cooled chiller and modification of chiller plant at Ho Man Tin Government Offices, the fitting-out works of House A at No. 48 Stubbs Road, Hong Kong, the fitting-out works at Pik Sha Road, Sai Kung, the fitting-out works of a House C at No. 48 Stubbs Road, Hong Kong, the fitting-out works of a residential in Guanghua New Town Residential District, Beijing, the PRC, the fitting-out works of offices at the Beijing Capital International Airport, the fitting-out works of an office in Xicheng, Beijing, the PRC and a redevelopment project of a kindergarten in Shunyi, Beijing, the PRC. As at the date of this Annual Report, the Group has contracts on hand with a total contract sum of over HK$1,544 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 sections 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 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 business in investments in securities, the Group has set up a Treasury Management Committee ("**Treasury Management Committee**") to implement on the Group's behalf the investment policy and guidelines. The Treasury Management Committee comprises one chairman and two committee members (comprising of two directors and the financial controller of the Company, including at least one executive director who acts as the investment manager). The Board has adopted cautious measures to manage this business activity aiming at generating additional investment return on the available funds of the Group from time to time.

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

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

(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.

In March 2019, the Group has entered into another sale and purchase agreement to acquire two properties through two property holding companies at an aggregate consideration of HK$19,500,000. These properties are located at Wanchai, Hong Kong with saleable area of 1,220 square feet. The transaction is expected to be completed in August 2019.

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

SIGNIFICANT INVESTMENTS

As at 31 March 2019, the Group held approximately HK$22 million equity investments at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock code	Place of incorporation	Unrealised fair value gain/(loss) HK$'000	Market value HK$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets of the Group %
SOHO China Limited	1	410	Cayman Islands	(24.3)	99.0	0.45	0.10
Singamas Container Holdings Limited	2	716	Hong Kong	(2.0)	129.0	0.60	0.13
Shun Wo Group Holdings Limited	3	1591	Cayman Islands	(1,647.0)	2,295.0	10.66	2.30
Pantronics Holdings Limited	4	1611	British Virgin Islands	2,883.9	4,648.0	21.59	4.66
Wang Yang Holdings Limited	5	1735	Cayman Islands	662.3	8,458.1	39.28	8.48
EJE (Hong Kong) Holdings Limited	6	8101	Cayman Islands	(6,876.0)	5,904.0	27.42	5.92
				(5,003.1)	21,533.1	100.00	21.59

Notes:

1. SOHO China Limited is principally engaged in real estate development, property leasing and property management. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately RMB35,793,437,000 as at 31 December 2018.

2. Singamas Container Holdings Limited is principally engaged in (i) manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, US domestic containers, offshore containers, other specialized containers and container parts; and (ii) provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling and other container related services. A dividend in the sum of HK$2,475 was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately USD695,779,000 as at 31 December 2018.

3. Shun Wo Group Holdings Limited is engaged in undertaking foundation works in Hong Kong. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK$162,942,000 as at 30 September 2018.

4. Pantronics Holdings Limited is principally engaged in the electronic manufacturing services. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK$134,887,000 as at 30 September 2018.

5. Wang Yang Holdings Limited is principally engaged in (i) foundation works which include piling works, excavation and lateral support works, and pile cap construction; (ii) superstructure works which include building works in relation to the parts of the structure above the ground level; and (iii) other construction works such as demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK$188,568,000 as at 30 September 2018.

6. 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 Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK$318,355,000 as at 30 September 2018.

During the year ended 31 March 2019, the Group disposed of certain investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK$5.8 million, giving rise to a net loss of approximately HK$0.7 million. 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	British Virgin Islands	36	1.7
FSM Holdings Limited	1721	Cayman Islands	3,291	(17.1)
GCL-Poly Energy Holdings Limited	3800	Cayman Islands	1,516	(22.8)
Koala Financial Group Limited	8226	Cayman Islands	179	(666.5)
			5,839	(720.0)

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the sub-section head "**Events after the Reporting Period**" in this section, the Group did not have other plans for material investment or capital assets as at 31 March 2019.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the acquisition of investment properties under the sub-section headed "**Prospects**" in this section, and the disclosure in note 13 to consolidated financial statements in this Annual Report, the Group did not have any other significant investment, material acquisition or disposal during the year.

HUMAN RESOURCES

As at 31 March 2019, the Group had 115 employees, 46 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the year ended 31 March 2019 amounted to approximately HK$34.2 million as compared to approximately HK$33.6 million for the year ended 31 March 2018. The increase was mainly due to the increment under the annual review in this Reporting Period.

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

EVENTS AFTER THE REPORTING PERIOD

(1) In March 2019, the Group has entered into a sale and purchase agreement with an independent third party to acquire entire share capital of a group which is principally engaged in property holding investment for a consideration of HK$19,500,000. Those properties are located at Wanchai, Hong Kong with saleable area of 1,220 square feet. The transaction is expected to be completed on 15 August 2019.

    As one or more of the relevant percentage ratios calculated pursuant to Rule 19.06 of the GEM Listing Rules in respect of the acquisition exceeds 5% but are less than 25%, the acquisition constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement requirements under the GEM Listing Rules. Please refer to the announcement of the Company dated 11 March 2019 for further details.

(2) In the joint announcement dated 12 April 2019 (the "**Joint Announcement**"), Deson Development International Holdings Limited ("**DDIHL**"), the Company and Energy Luck jointly announced that Energy Luck has entered into a sale and purchase agreement with Deson Development Holdings Limited ("**DDHL**") to acquire approximately 31.18% of the issued shares of the Company ("**DDIHL Transaction**"). Upon completion of the DDIHL Transaction, Energy Luck will become the controlling shareholder of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, following the completion of the DDIHL Transaction, Energy Luck is required to make a mandatory conditional general offer in cash for all the issued shares other than those already owned or agreed to be acquired by Energy Luck and its concert parties (the "**Offers**"). For details, please refer to (i) the Joint Announcement; (ii) the announcement of the Company dated 17 May 2019 in relation to the appointment of an independent financial adviser; (iii) the circular of DDIHL dated 24 May 2019 in relation to the disposal of 31.18% shareholding in the Company to Energy Luck; (iv) the announcement of DDIHL dated 11 June 2019 in relation to the poll results of the special general meeting of DDIHL held on 11 June 2019; (v) the announcement of the Company dated 12 June 2019 in respect of the satisfaction of the conditions under the sale and purchase agreement and the expected date of completion; (vi) the joint announcement of the Company, DDIHL and Energy Luck dated 18 June 2019 in relation to the completion of the DDIHL Transaction; and (vii) the composite offer document relating to the Offers made by Energy Luck expected to be despatched in or about July 2019.

Corporate Governance Report

The Group is committed to a high standard of corporate governance practices and business ethics in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Board has continued and will continue to review and improve the Company's corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellent corporate governance.

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules as its own corporate governance code. The Company has, so far as applicable, principally complied with the CG Code during the period from 1 April 2018 to 31 March 2019 (the "**Period under Review**").

THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

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

THE BOARD

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

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

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirement;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code.

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

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

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

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

Composition

As at the date of this report, the Board comprises nine members, consisting of four executive Directors, two non-executive Directors and three independent non-executive Directors.

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

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

The Board of the Company comprises the following Directors as at 31 March 2019:

Executive Directors

Mr. Keung Kwok Cheung *(Chief Executive Officer)*
Mr. Kwok Koon Keung
Mr. Lo Wing Ling
Mr. Ong Chi King

Non-executive Directors

Mr. Tjia Boen Sien *(Chairman)*
Mr. Ong King Keung

Independent Non-executive Directors

Mr. Lee Tho Siem
Mr. Cheung Ting Kee
Mr. Chan Ka Yin

Details of the backgrounds and qualifications of the chairman of the Company and the other Directors are set out under the section headed "**Biographical details of directors and senior management**" on pages 35 to 39 of this Annual Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

Save for Mr. Ong Chi King and Mr. Ong King Keung, who are brothers, none of the members of the Board are related to one another or have any financial, business, family or other material or relevant relationships with each other.

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

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

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

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

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

Appointment and succession planning of Directors

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

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

Training for Directors and Company Secretary

Each newly appointed director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

During the year ended 31 March 2019, the Directors are regularly appraised and updated with any new regulations and guidelines, as well as any amendments thereto issued by the Stock Exchange, particularly the effects of such new or amended regulations and guidelines on directors especially. On an ongoing basis, the Directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars as appropriate.

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

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

For the financial year ended 31 March 2019, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training.

Board meetings

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

	Directors' attendance
Executive Directors	
Mr. Keung Kwok Cheung *(Chief Executive Officer)*	12/12
Mr. Kwok Koon Keung	12/12
Mr. Lo Wing Ling	12/12
Mr. Ong Chi King	12/12
Non-executive Directors	
Mr. Tjia Boen Sien *(Chairman)*	12/12
Mr. Ong King Keung	12/12
Independent Non-executive Directors	
Mr. Lee Tho Siem	12/12
Mr. Cheung Ting Kee	12/12
Mr. Chan Ka Yin	12/12

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

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

Apart from the above regular Board meetings of the year, the Board will meet on other occasions when a Board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting.

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

Directors' commitments

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

ANNUAL GENERAL MEETING

The Company held the annual general meeting on 20 August 2018. Mr. Tjia Boen Sien, the non-executive Director and the Chairman of the Board, was elected as the chairman of the annual general meeting to ensure effective communication with shareholders of the Company at the meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

The Group's unaudited quarterly results, interim results and annual results during the year ended 31 March 2019 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

The main duties of the Audit Committee include the following:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditor before submission to the Board;

(b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees, terms of engagement and its independence assessment, and make recommendation to the Board on the appointment, reappointment and removal of external auditor;

(c) to review the adequacy and effectiveness of the Group's financial reporting system, and risk management system, internal control system and associated procedures; and

(d) to review the adequacy of resources, qualifications and experience of the Group's accounting and financial reporting staff, their training programs, and budget.

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

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

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

Name of Member	**Members' attendance**
Mr. Chan Ka Yin *(Chairman)*	4/4
Mr. Lee Tho Siem	4/4
Mr. Cheung Ting Kee	4/4

Remuneration Committee

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

During the Period under Review, one Remuneration Committee meeting was held on 21 June 2018 and reviewed the remuneration packages of the Directors and senior management. Recommendations have been made to the Board.

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

Name of Member	Members' attendance
Mr. Lee Tho Siem *(Chairman)*	1/1
Mr. Keung Kwok Cheung	1/1
Mr. Tjia Boen Sien	1/1
Mr. Chan Ka Yin	1/1
Mr. Cheung Ting Kee	1/1

Nomination Committee

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

During the Period under Review, one Nomination Committee meeting was held on 21 June 2018 to review the structure, size and composition of the Board.

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

Name of Member	Members' attendance
Mr. Lee Tho Siem *(Chairman)*	1/1
Mr. Keung Kwok Cheung	1/1
Mr. Tjia Boen Sien	1/1
Mr. Chan Ka Yin	1/1
Mr. Cheung Ting Kee	1/1

The following policy has been adopted by the nomination committee to assist it in fulfilling its duties and responsibilities as provided in its terms of reference. The policy may be amended from time to time by the committee as provided therein.

Recommended candidates

The committee shall consider any and all candidates recommended as nominees for directors to it by any directors or shareholders; provided that in the case of shareholder recommendations, such recommendations comply with all applicable notice requirements set forth in the Company's bye-laws, the procedures for a shareholder's nomination to be properly brought before a general meeting, and the Listing Rules. The committee may also consider, in its sole discretion, any and all candidates recommended as nominees for directors to it by any source.

Desired qualifications, qualities and skills

The committee shall endeavour to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment, to provide the commitment to enhancing shareholder value, practical insights and diverse perspectives. Candidates will also be assessed in the context of the then-current composition of the board, the operating requirements of the Company and the long-term interests of all shareholders. In conducting this assessment, the committee will, in connection with its assessment and recommendation of director candidates, consider diversity (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience and skills) and such other factors as it deems appropriate given the then-current and anticipated future needs of the board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the board. The committee may also consider such other factors as it may deem are in the best interests of the Company and its shareholders. The above diversity perspectives, taking into account the Company's business model and needs, are set out in a board diversity policy which has been established by the Company to see that diversity on the board can be achieved.

Independence

The committee shall ensure that at least one-third of the board members (or such other number of the members of the board as prescribed by the Listing Rules from time to time) meet the definition of independent non-executive director. The committee shall annually assess each nominee for independent non-executive director by reviewing any potential conflicts of interest that he or she and their immediate family members (as defined in the Listing Rules) may have, based on the criteria for independence set forth in Rule 3.13 of the Listing Rules. A retiring independent non-executive director who has served the board for a period of nine consecutive years or more is eligible for nomination by the board to stand for re-election at a general meeting provided that he or she is still considered independent by the board.

Nominee evaluation process

The committee will consider as a candidate any director who has indicated his or her willingness to stand for re-election and any other person who is recommended by any shareholders. The committee may also undertake its own search process for candidates and may retain the services of professional firms or other third parties to assist in identifying and evaluating potential nominees. The committee may use any process it deems appropriate for the purpose of evaluating candidates which is consistent with those set forth in its terms of reference, the Company's bye-laws, the corporate governance policy and the policy described herein; provided that the process used for evaluating a nominee for each election or appointment of directors shall be substantially similar and under no circumstances shall the committee evaluate nominees recommended by a shareholder pursuant to a process that is substantially different than that used for other nominees for the same election or appointment of directors.

Nomination procedures

1. The secretary of the committee shall call a meeting of the committee, and invite nominations of candidates from board members, if any, for consideration by the committee prior to its meeting. The committee may also put forward candidates who are not nominated by board members.

2. For filling a casual vacancy, the committee shall make recommendations for the board's consideration and approval. For proposing candidates to stand for election at a general meeting, the committee shall make nominations to the board for its consideration and recommendation.

3. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the board to stand for election at the general meeting.

4. In order to provide information of the candidates nominated by the board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), and any other information, as required pursuant to applicable laws, rules and regulations, of the proposed candidates.

5. A shareholder can serve a notice to the board of directors or the company secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a director in accordance with the relevant procedures posted on the Company's website. The particulars of the candidates so proposed will be provided to all shareholders for information by way of announcement and/or supplementary circular.

6. A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the board of directors or the company secretary.

7. The board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

8. Shareholder proposed resolutions shall take the same form as the resolutions proposed for the candidates recommended by the board.

During the year, the nomination committee reviewed the board composition and independence of independent non-executive directors, and considered the suitability of those retiring directors standing for re-election at the next annual general meeting as well as the need for a director succession plan. The committee also reviewed the nomination policy and the board diversity policy and discussed the objectives set for implementing the latter, and noted that those objectives had been achieved. The committee concluded that the board composition should continue unchanged.

Internal Control Committee

The main duties of the Internal Control Committee include the following:

(i) for ensuring good corporate governance standards and practices are maintained, evaluating and determining the nature and extent of the risks the Board is willing to take in achieving the Company's strategic objectives, ensuring that the Company establishes and maintains appropriate and effective risk management and internal controls systems, overseeing management in the design, implementation and monitoring of the risk management and internal control systems, ensuring that management provides a confirmation to the Board on the effectiveness of these systems by performing the duties set out in its terms of reference; and

(ii) reviewing and discussing solutions to regulatory compliance and internal control matters.

During the Period under Review, one Internal Control Committee meeting was held on 21 June 2018 to review this Corporate Governance Report, as well as to review the effectiveness of the Group's internal control system as further detailed in the sub-section headed "**Risk management and internal monitoring**" in this section.

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

Name of Member	Members' attendance
Mr. Chan Ka Yin *(Chairman)*	1/1
Mr. Cheung Ting Kee	1/1
Mr. Lee Tho Siem	1/1

COMPANY SECRETARY

Please refer to section headed "**Biographical details of directors and senior management**" on pages 35 to 39 of this Annual Report for biographical details of the Company Secretary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remuneration, five highest paid individual and senior management's emoluments are set out in the notes 8 and 9 to the consolidated financial statements in this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

The Company will issue a separate ESG Report no later than three months after the publication date of this Annual Report in compliance with Appendix 20 to the GEM Listing Rules.

DIVIDEND POLICY

The Board has adopted its dividend policy on 31 December 2018. The Company's dividend policy allows the shareholders of the Company (the "**Shareholders**") to share the profits of the Company whilst retaining adequate reserves for the Group's future growth.

According to the Company's dividend policy, in addition to the final dividends, the Company may declare interim dividends or special dividends from time to time.

According to the Company's dividend policy, the Board shall consider the following factors before proposing and declaring dividends:

(i) the Group's general financial condition;

(ii) the Group's working capital and debt level;

(iii) the Group's liquidity position;

(iv) retained earnings and distributable reserves of the Company and each of the members of the Group;

(v) future cash requirements and availability for business operations, business strategies and future development needs;

(vi) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(vii) the general market conditions;

(viii) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(ix) any other factors that the Board deems relevant.

The declaration and payment of dividends by the Company is also subject to any restrictions under the Laws of the Bermuda, the articles of association of the Company and any applicable laws, rules and regulations.

The Company's dividend policy will be reviewed from time to time by the Board and there can be no assurance that dividends will be paid in any particular amount for any given period.

AUDITOR'S REMUNERATION

For the year ended 31 March 2019, the Group had engaged the Group's external auditor, Ernst & Young, to provide the following services, and their respective fees charged are set out below:

Fee charged for the year ended 31 March 2019	HK$'000
Types of services:	
Audit of the Group	1,600
Non-audit services	82
Total	1,682

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors with reference to, and which is on terms no less exacting than, the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiry has been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings throughout the Period under Review. The Company has adopted the same code of conduct regarding securities transactions for its employees and for directors or employees of its subsidiaries and holding companies who are likely to be in possession of unpublished price-sensitive information of the Company or its securities. No incident of non-compliance of the code of conduct regarding securities transactions by employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the financial position of the Group and of its financial performance and cash flow for the financial year. Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Group's consolidated financial statements are prepared in accordance with the GEM Listing Rules, the disclosure requirements of the Hong Kong Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Directors endeavour to ensure a balanced, clear and understandable assessment of the Group's position and prospect in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2019. The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "**Independent Auditor's Report**" on pages 53 to 57 of this Annual Report. Management of the Group is obligated to provide sufficient explanation and information to the Board so that it can make an informed assessment of financial and other relevant matters.

RISK MANAGEMENT AND INTERNAL MONITORING

Risk Management and Internal Control

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopted a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in the Reporting Period, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in the Reporting Period, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("**IA**") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted semi-annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the reviews made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

INVESTOR RELATIONS

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

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

Address	: The Company Secretary, Deson Construction International Holdings Limited, 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Email	: info@deson-c.com
Telephone no.	: (852) 2570 1118
Fax no.	: (852) 3184 3401

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

SHAREHOLDER RIGHTS

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

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

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

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

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

SHAREHOLDERS COMMUNICATION POLICY

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

EXECUTIVE DIRECTOR

KEUNG Kwok Cheung ("Mr. Keung"), aged 61, is the chief executive officer and an executive Director of the Company since December 2014. He is also a member of both the remuneration and nomination committees of the Board. Mr. Keung is primarily in charge of the Group's overall corporate strategy and daily operations, including business development and overall management. He is the Technical Director and an Authorised Signatory for Deson Development Limited as a Registered General Building Contractor with the Buildings Department since 1999.

Mr. Keung has over 37 years of experience in the fields of civil, structural and building engineering and in the management of large-scale projects.

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

KWOK Koon Keung ("Mr. Kwok"), aged 52, is an executive Director of the Company since December 2014. Mr. Kwok is primarily responsible for the building and fitting-out works division of the Group and further responsible for the planning and coordination of projects, which covers the coordination of engineering resources, progress monitoring and work performance. Mr. Kwok has over 29 years of experience in the building industry.

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

LO Wing Ling ("Mr. Lo"), aged 60, is an executive Director of the Company since December 2014. Mr. Lo is in charge of the electrical and mechanical engineering division of our Group, responsible for the planning and co-ordination of projects, which cover the coordination of engineering resources, progress monitoring and work performance. Mr. Lo has over 33 years of experience in environmental engineering and building service work. Mr. Lo joined the Group in August 2000 as the director of Kenworth Engineering Limited. Mr. Lo is the Technical Director and an Authorised Signatory for Kenworth Engineering Limited as a Registered Specialist Contractor (Ventilation) with the Buildings Department since 2000 and 2001 respectively.

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

Mr. ONG Chi King ("Mr. Ong"), aged 45, is the executive Director of the Company since 21 December 2015. Mr. Ong is a member of the Hong Kong Institute of Certified Public Accountants since December 1998 and a fellow member of the Association of Chartered Certified Accountants since September 2003. Mr. Ong obtained a Bachelor of Business Administration Degree in Accounting (Hons.) from The Hong Kong University of Science and Technology in Hong Kong in November 1995 and a Master of Corporate Finance Degree from The Hong Kong Polytechnic University in November 2004. Mr. Ong has over 23 years of experience in accounting, finance and company secretarial fields and held senior positions in finance and company secretarial departments in various companies listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

Mr. Ong is an independent non-executive Director of the following listed public companies:

Company	Stock code
China Environmental Resources Group Limited	1130
Larry Jewelry International Company Limited	8351

Mr. Ong was an independent non-executive Director of the following companies listed on the Stock Exchange in the past three years:

Company	Stock Code	Service Period
Wan Kei Group Holdings Limited	1718	June 2015 to March 2017
Capital VC Limited	2324	January 2012 to March 2017
WLS Holdings Limited	8021	April 2015 to March 2017
China All Nation Int'l Holdings Group Limited	8170	November 2014 to June 2016
Greatwalle Inc.	8315	July 2014 to September 2016
Hong Kong Education (Int'l) Investments Limited	1082	February 2014 to November 2017

Mr. Ong was also a director of Fitness Concept International Holdings Limited, an investment holding company incorporated in the Cayman Islands, which was dissolved on 30 June 2005 by striking off due to cessation of business.

NON-EXECUTIVE DIRECTOR

TJIA Boen Sien ("Mr. Tjia"), aged 75, is the chairman and non-executive Director of the Company since December 2014. He is also a member of both the remuneration and nomination committees of the Board. He has over 36 years of experience in the building industry in the PRC and Hong Kong. Mr. Tjia is one of the co-founders of the DDIHL Group (including the Group). Mr. Tjia is primarily responsible for a consultative role in matters concerning the Group and is not involved in the day-to-day management of the Group.

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

ONG King Keung ("Mr. KK Ong"), aged 43, was an independent non-executive Director of the Company since December 2014 and has been subsequently re-designated as a non-executive Director since December 2015. He has over 19 years of experience in the auditing and accounting industry. Mr. KK Ong is currently the company secretary of Unity Investments Holdings Limited (Stock Code: 913). Mr. KK Ong obtained a Bachelor of Arts Degree in Accountancy from The Hong Kong Polytechnic University in November 1998 and a Master of Science Degree in Finance from the City University of Hong Kong in November 2007. Mr. KK Ong has been a fellow member of the Association of Chartered Certified Accountants since October 2007 and a fellow member of the Hong Kong Institute of Certified Public Accountants since June 2010.

Mr. KK Ong is currently an independent non-executive director of two companies listed on the Main Board and two companies listed on the GEM of the Stock Exchange, namely China Water Affairs Group Limited (stock code: 855), Risecomm Group Holdings Limited (Stock code: 1679), Bingo Group Holdings Limited (stock code: 8220) and My Heart Bodibra Group Limited (stock code: 8297).

Mr. KK Ong was an independent non-executive Director of the following companies listed on the Stock Exchange in the past three years:

Company	Stock Code	Service Period
Koala Financial Group Limited	8226	February 2017 to September 2017
China Candy Holdings Limited	8182	February 2016 to September 2017
Tech Pro Technology Development Limited	3823	March 2017 to February 2019

INDEPENDENT NON-EXECUTIVE DIRECTOR

LEE Tho Siem ("Mr. Lee"), aged 79, is an independent non-executive Director of the Company since December 2014. He is also the chairman of the remuneration and nomination committees and a member of the audit and internal control committees of the Board. He has over 39 years of experience in the banking industry. He worked in Hua Chiao Commercial Bank Limited from September 1963 to November 2001 and was appointed as a director and acting general manager in January 2000.

CHEUNG Ting Kee ("Mr. Cheung"), aged 50, is an independent non-executive Director of the Company since December 2014. He is also a member of the remuneration, nomination, audit and internal control committees of the Board. Mr. Cheung has over 23 years of working experience in the securities industry including equity research, equity sales, fund management and corporate finance. Mr. Cheung is currently the sole director and responsible officer of a Hong Kong company being a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO.

Mr. Cheung obtained a Bachelor of Business Administration Degree and a Master in Professional Accounting. Mr. Cheung is a fellow member of the Institute of Certified Management Accountants, Australia.

Mr. Cheung is an independent non-executive Director of Yue Da Mining Holdings Limited (Stock Code: 629).

CHAN Ka Yin ("Mr. Chan"), aged 45, is an independent non-executive Director of the Company since 21 December 2015. He is also the chairman of the audit and internal control committees and a member of the remuneration and nomination committees of the Board. He is a fellow member of the Association of Chartered Certified Accountants since December 2004 and the Hong Kong Institute of Certified Public Accountants since May 2010. He obtained a Bachelor of Business Administration Degree in Accounting and Finance (Hons.) from the University of Hong Kong in November 1996. Mr. Chan is currently a director of a corporate services company in Hong Kong. He has ample experience in auditing, accounting, financial management and company secretarial practices in respect of listed companies.

SENIOR MANAGEMENT

YEUNG Yam Chi ("Mr. Yeung"), aged 57, is the general manager of our Group. Mr. Yeung joined our Group in April 1994 and possesses over 33 years of experience in the field of civil and structural engineering, interior fitting-out and decoration works. He is responsible for the Group's construction projects in Hong Kong and the PRC, in particular, progress monitoring and quality assurance, site co-ordination, submission of government documents, liaison with clients, architects, sub-contractors and consultants and also provide technical review of the sub-contractors' standard and qualification. Mr. Yeung is an Authorised Signatory for Deson Development Limited as a Registered General Building Contractor with the Buildings Department since 1999. Mr. Yeung obtained a Diploma in Civil Engineering from Hong Kong Baptist University in July 1985 and a Master of Engineering Degree from The University of Sheffield in January 1987.

CHAN Chi Kwong ("Mr. CK Chan"), aged 56, is a project director of our Group. Mr. CK Chan joined our Group in July 1992 and has over 34 years of experience in the field of civil and structural engineering. He is responsible for the Group's construction projects in Hong Kong. He is an Authorised Signatory for Deson Development Limited as Registered General Building Contractor with the Buildings Department since 1999 and as a Technical Director under Registered Specialist Contractor (Foundation) with the Building Department on 31 May 2019. Mr. CK Chan obtained a Bachelor of Science Degree in construction management from the University of Wolverhampton in October 2003. He was admitted as an associate member of The Chartered Institute of Building in January 1995.

LEE Kai Ming ("Mr. KM Lee"), aged 60, is a senior project manager of our Group. Mr. KM Lee joined our Group in August 1997 and is now responsible for all our building services projects in Hong Kong. Mr. KM Lee is a Technical Director for Kenworth Engineering Limited as a Registered Specialist Contractor (Ventilation) with the Building Department since 2002. Mr. KM Lee has over 36 years of experience in the field of building services and engineering.

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

LAM Wing Wai, Angus ("Mr. Lam"), aged 43, joined the Group in September 2015. He is the Company Secretary and the Financial Controller of the Group. He is responsible for monitoring all the Group's accounting, finance, listing compliance and company secretarial functions. He holds a Bachelor Degree in Business Administration from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, He has several years' experience with an international accounting firm. Mr. Lam is the company secretary and financial controller of Deson Development International Holdings Limited (stock code: 262), a company listed on the Main Board of the Stock Exchange.

LI Ngan Mei, May ("Ms. Li"), aged 58, is the administration manager of the Group. Ms. Li joined the Group in December 1988 and has over 34 years of experience in dealing with personnel and administration matters. She is in charge of the Group's administrative and human resources matters including the overseeing of the administrative department, which is responsible for maintenance and renewal of our licences, permits and qualifications.

Report of the Directors

The Directors herein present their report and the audited financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the year, the Company's subsidiaries are principally engaged in (i) acting as a contractor in the construction business to provide building construction works, electrical and mechanical engineering works and alterations, addition, renovation, refurbishment and fitting-out works, mainly in Hong Kong, Mainland China and Macau; (ii) investment in marketable securities; and (iii) investment in properties.

SEGMENT INFORMATION

Details of segment information are set out in note 4 to the consolidated financial statements.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 March 2019 and the Group's financial position at that date are set out in the consolidated financial statements.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

In view of the upcoming change of controlling shareholder and the Offers to be made by Energy Luck as set out in the Joint Announcement and Energy Luck's intention in relation to the Company, the Board has resolved to defer the decision to the new management of the Company whose appointment is expected to become effective after despatching the composite document, which is expected to be despatched in or about July 2019.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 12 and 13 to the consolidated financial statements in this Annual Report, respectively.

Further details of the Group's investment properties are set out on page 51.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the "**Consolidated Statement of Changes in Equity**" on page 62 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to approximately HK$3,270,000.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five years, as extracted from the audited financial statements, is set out on page 156 of this Annual Report. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2019 is set out in the section headed "**Management Discussion and Analysis**" on pages 7 to 17 of this Annual Report. These discussions form part of this "**Report of the Directors**".

PRINCIPAL RISKS AND UNCERTAINTIES

The management is already aware of the principal risks associated with the Group's business and accordingly estimates and manages all kinds of risks encountered through inspection under the risk management and internal control system.

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

The Group is reliant on the availability of public and private sector construction projects in Hong Kong

The results of operations of the Group for the building construction section are affected by the number and availability of public and private sector construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to the Hong Kong property markets and the general conditions of the property markets in Hong Kong. A downturn in either factor may result in a significant decrease in the main contractor works for property re-development for both residential properties or industrial factory buildings in Hong Kong in general.

The Group is reliant on the availability of fitting-out projects of luxury brands in both Hong Kong and the PRC

The results of operations of the Group for the fitting-out section are affected by the expansion rate of luxury brands. In the event that there is a downturn in the economy of Hong Kong and the PRC, fewer shops will be opened. It may result in a significant decrease in fitting-out works for luxury brand shops.

The Group's business is labour-intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

The Group's construction works are labour-intensive in nature. During the three years ended 31 March 2019, the Group and its subcontractors did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs. However, there is no assurance that the Group will not experience these problems in the future when the peak load of construction activities is ongoing. In the event that there is a significant increase in the costs and demand of labour and we have to retain our labour by increasing their wages, the Group's staff cost and/ or subcontracting cost will increase and thus lower our profitability. On the other hand, if the Group or the Group's subcontractors fail to retain the Group's existing labour and/or recruit sufficient labour in a timely manner to cope with the Group's existing or future projects, the Group may not be able to complete the Group's projects on schedule and within budget, and the Group's operations and profitability may be adversely affected.

The pricing of the Group is determined based on the estimated time and costs involved in a job which may deviate from the actual time and costs involved and any material inaccurate estimation may affect the Group's financial results

The Group needs to estimate the time and costs involved in projects for all sections in order to determine the fee. There is no assurance that the actual amount of time and costs would not exceed the Group's estimation during the performance of the jobs. The actual amount of time and costs involved in completing the job may be adversely affected by many factors, including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions. Any material inaccurate estimation in the time and costs involved in a job may adversely affect the profit margin and results of operations of the Group.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. The Group strives to become an environmental-friendly corporation by saving electricity and encouraging recycling of office supplies and other materials. The Group and its activities are subject to requirements under various laws.

The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and Immigration Ordinance (Chapter 115 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with the applicable laws and regulations.

A report on the environment, social and governance aspects is prepared in accordance with Appendix 20 to the GEM Listing Rules will be published on the Company's and Stock Exchange's websites as close as possible to, and in any event no later than three months after, the publication of the annual report.

DISCLOSURE UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 31 March 2019, the Group had no circumstances which would give rise to disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules.

CHARITABLE CONTRIBUTIONS

During the year ended 31 March 2019, the Group did not make any charitable contribution.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 31 March 2019, the Group had a headcount of 115 (2018: 117) employees. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Group and individual performance. The Company has also adopted a share option scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests. Being people-oriented, the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Group has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the year ended 31 March 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2019, sales to the Group's five largest customers accounted for approximately 57% (2018: 44%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 26% (2018: 15%). Purchases from the Group's five largest suppliers accounted for approximately 33% (2018: 39%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 11% (2018: 14%).

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

DIRECTORS

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

Executive Directors

Mr. Keung Kwok Cheung[a, b], *Chief Executive Officer*
Mr. Kwok Koon Keung
Mr. Lo Wing Ling
Mr. Ong Chi King

Non-executive Directors

Mr. Tjia Boen Sien[a, b], *Chairman*
Mr. Ong King Keung

Independent Non-executive Directors

Mr. Lee Tho Siem[a, b, c & d]
Mr. Cheung Ting Kee[a, b, c & d]
Mr. Chan Ka Yin[a, b, c & d]

[a] Remuneration committee member
[b] Nomination committee member
[c] Audit committee member
[d] Internal control committee member

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules as at 31 March 2019 and the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

Details of the Directors' remuneration and five highest paid individuals of the Group are set out in notes 8 and 9, respectively to the consolidated financial statements of this Annual Report. The remuneration policy of the Group can be found in the sub-section headed "**Human resources**" in the section headed "**Management Discussion and Analysis**" of this Annual Report. The Remuneration Committee has reviewed overall remuneration policy and structure relating to all Directors and senior management of the Group in reference to the Group's operating results and individual's performance.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

None of the Company's Directors had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Save as disclosed under the sub-section headed "**Continuing Connected Transactions**" below and "**Related Party Transactions**" in note 35 to the consolidated financial statements, there is no contract of significance to the business of the Group between the Company, or any of its subsidiaries, or a substantial shareholder or any of its subsidiaries, to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, during the year. During the year, no contract of significance for the provision of services to the Group by a substantial shareholder or any of its subsidiaries was made.

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 "**Share Option Scheme**") on 11 August 2015, the Company has adopted the Share Option Scheme. Under the terms of the Share Option Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. The Company had 80,000,000 share options available for issue under the Share Option Scheme, which represented approximately 8% of the issued shares of the Company as at 31 March 2019.

There is no share option outstanding at the end of the Reporting Period.

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

Name or category of participant	Number of share options: At 1 April 2018	Granted during the year	Expired during the year	At 31 March 2019	Date of grant of share options	Exercise period of share options	Price of the Company's shares**: 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 prices immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

Further details of the Share Option Scheme and the share options issued under the Share Option Scheme are included in note 29 to the consolidated financial statements in this Annual Report.

EQUITY-LINKED AGREEMENT

Save as disclosed in this Annual Report, there was no equity-linked agreement entered into by the Group during the year ended 31 March 2019.

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

As at 31 March 2019, the interests and short positions of each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

A. Long positions in ordinary shares of the Company

	Number of ordinary shares held, capacity and nature of interest			
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Mr. Kwok Koon Keung	500	—	500	0.00%
Mr. Ong Chi King	8,802,000	—	8,802,000	0.88%
Mr. Tjia Boen Sien ("**Mr. Tjia**")	22,887,200	338,414,882 (Note 1)	361,302,082	36.13%

Note:

(1) Mr. Tjia beneficially owns all the shares in Sparta Assets Limited ("**Sparta Assets**"), a company incorporated in the British Virgin Islands ("**BVI**"). Sparta Assets directly beneficially owned 26,645,015 shares in the Company and it beneficially owned 349,935,000 shares in DDIHL, representing 35.79% of the issued share capital in DDIHL. By virtue of the SFO, Mr. Tjia is deemed to be interested in 338,414,882 shares in the Company (being an aggregate of 26,645,015 shares in the Company held by Sparta Assets and 311,769,867 shares in the Company indirectly owned by DDIHL (through Deson Development Holdings Limited ("**DDHL**") which Sparta Assets is deemed to be interested in).

B. Interest in shares and underlying shares of associated corporation — DDIHL

	Number of ordinary shares of HK$0.10 each in DDIHL			
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of DDIHL's issued share capital**
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	0.00%
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 to be interested in 675,000 shares held by his spouse, Ms. Wong Kam Ching. By virtue of the SFO, Ms. Wong Kam Ching's interest is taken to be Mr. Lee Tho Siem's interest.

As at 31 March 2019, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2019, 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	311,769,867	31.18%
DDIHL	Interest in controlled corporation (Note 1)	311,769,867	31.18%
Sparta Assets	Beneficial owner	26,645,015	2.66%
	Interest in controlled corporation (Note 2)	311,769,867	31.18%

Notes:

1. DDHL is a company incorporated in the BVI and is wholly owned by DDIHL. DDIHL is deemed to be interested in the shares beneficially owned by DDHL.

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 311,769,867 shares indirectly owned by DDIHL (through DDHL).

Save as disclosed above, at 31 March 2019, 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 SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING BUSINESSES

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2019.

CONTINUING CONNECTED TRANSACTIONS

Administrative services agreement

On 1 April 2017, Grand On Enterprise Limited ("**Grand On**"), a wholly-owned indirect subsidiary of DDHL, which is a substantial shareholder of the Company, and Deson Development Limited ("**DDL**"), a wholly-owned indirect subsidiary of the Company, entered into an administrative services agreement ("**Administrative Services Agreement**"), pursuant to which DDL, as a service provider, has agreed to provide Grand On certain administrative services including provision of office facilities, utilities and equipment support, cleaning services, administrative support and information technology system and technical training support, for a term of two years from 1 April 2017 to 31 March 2019. In consideration of the provision of such administrative services, Grand On shall pay to DDL a service fee, based on DDL's actual direct and indirect cost incurred in the supply and procuring of the supply of such services, including overheads, human and/or other resources. The annual service fee payable by Grand On to DDL for each of the financial years ended 31 March 2018 and 31 March 2019 did not exceed HK$600,000.

On 7 March 2019, the Administrative Services Agreement was renewed for a term of one year from 1 April 2019 to 31 March 2020. The annual service fee payable by Grand On to DDL for the financial year ending 31 March 2020 is not expected to exceed HK$480,000.

Lease of office in Hong Kong

On 15 April 2017, Grand On as landlord and DDL as tenant, entered into a tenancy agreement, for the rental of certain portions of the Nanyang Plaza property located at 11th Floor of Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong with an aggregate floor area of approximately 9,500 square feet ("**sq. ft.**") and the joint rights to occupy and use a common area with aggregate floor area of approximately 3,200 sq. ft. The term of tenancy was from 1 April 2017 to 31 March 2019, with a rental of HK$143,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for each of the financial years ended 31 March 2018 and 31 March 2019 did not exceed HK$1,716,000.

On 15 April 2019, the tenancy agreement was renewed for a term of one year from 1 April 2019 to 31 March 2020, with a rental of HK$209,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for the financial year ending 31 March 2020 is not expected to exceed HK$2,508,000.

The above continuing connected transactions fall under the de minimis provision as set forth in Rule 20.74(1)(c) of the GEM Listing Rules and are therefore fully exempt from the requirements of reporting, announcement and independent shareholders' approval.

CONNECTED TRANSACTION

On 23 November 2017 上海迪申建築裝潢有限公司 ("**Shanghai Deson**"), a wholly-owned subsidiary of the Company, and 華勝國際置業開發 (上海) 有限公司 ("**Huasheng**"), an associated company of DDIHL, have entered into a fitting-out services agreement ("**Agreement**"), in respect of the provision of fitting-out services by Shanghai Deson to Huasheng for the property, which is known as the Starway Parkview South Station Hotel (formerly known as Shanghai Parkview Business Hotel). The aggregate service fee payable to Shanghai Deson for its provision of fitting-out services and purchase of furniture and fittings under the Fitting-out Services Agreement is approximately RMB8.3 million.

As at the date of the Agreement, DDIHL indirectly held approximately 31.18% of the total issued share capital of the Company. Accordingly, DDIHL is the controlling shareholder of the Company and therefore a connected person of the Company. As Huasheng is an indirect wholly-owned subsidiary of DDIHL, and Shanghai Deson is an indirect wholly-owned subsidiary of the Company, Huasheng is an associate of DDIHL, and therefore a connected person of the Company. As one or more of the applicable percentage ratios calculated in accordance with the GEM Listing Rules exceed 0.1% but are less than 25% and the total consideration is less than HK$10 million, the entering into of the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company which are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

Details of the Agreement are set out in the announcement of the Company dated 23 November 2017.

PARTICULARS OF PROPERTIES

The investment properties of the Group are as follows:

Location	Attributable interest of the Group	Group's tenure	Current use	Lease term	Gross floor area
Office B, 4/F., Winner Commercial Building, No 401–403 Lockhart Road, Wan Chai, Hong Kong	100%	The properties are held for a term expiring on 1 July 2026	Commercial	Long term	750 sq.ft.
Office 4, 6/F., Rightful Centre, No 12 Tak Hing Street, Tsim Sha Tsui, Kowloon, Hong Kong	100%	The properties are held for a term expiring on 8 October 2051	Commercial	Long term	863 sq.ft.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public throughout the period from 1 April 2018 to 31 March 2019 and up to the date of this Annual Report.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period of the Group are set out in note 39 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

AUDITOR

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

Keung Kwok Cheung
Chief Executive Officer and Executive Director

Hong Kong, 21 June 2019

EY 安永

To the shareholders of Deson Construction International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Deson Construction International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 58 to 155, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for construction contracts	
For the year ended 31 March 2019, the Group recognised revenue from construction contracting and related businesses of HK$651,102,000 and had contract assets and contract liabilities of HK$79,928,000 and HK$173,640,000, respectively. The Group has recognised revenue from the provision of construction services over time, using an input method to measure progress towards complete satisfaction of the services, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. This involves the use of significant management judgements and estimates, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and costs to complete. Relevant disclosures are included in notes 3, 5, 17 and 22 to the consolidated financial statements.	Amongst our audit procedures, we assessed the significant judgements made by management, through an examination of project documentation and discussion of the status of projects under construction with the management, finance and technical personnel of the Group. We tested the controls of the Group over its processes to record contract costs and contract revenue, the calculation of the stage of completion and the identification of contract losses, if any. Our testing also included checking construction costs to invoices or other supporting documents, and a comparison of the actual costs incurred with total expected costs, to assess the status of the projects on a sampling basis.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on accounts receivable and contract assets	
As at 31 March 2019, the Group recorded gross accounts receivable of HK$77,272,000 before impairment of HK$14,787,000, and gross contract assets of HK$84,262,000 before impairment of HK$4,334,000. The adoption of HKFRS 9 *Financial Instruments* has fundamentally changed the Group's accounting for impairment on accounts receivable and contract assets by replacing HKAS 39 *Financial Instruments: Recognition and Measurements*' incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. The measurement on the Group's accounts receivable and contract assets under the ECL approach was estimated by management through the application of judgements and use of highly subjective assumptions, such as the payment history, subsequent settlements after the end of the reporting period and management's industrial knowledge and experience. The impact of economic factors, both current and future, and forward-looking factors specific to the debtors were also considered in management's assessment of the likelihood of recovery from customers. Relevant disclosures are included in notes 3, 15 and 17 to the consolidated financial statements.	Our audit procedures included assessing and testing the Group's processes and controls relating to the monitoring of accounts receivable and contract assets; evaluating the methodologies, inputs and assumptions used by management in their impairment assessment and their calculation of the impairment allowance under the ECL approach; understanding and discussing with management for their judgements, historical loss pattern and basis of judgements used on such data under the ECL approach; and understanding management's procedures with the customers over aged receivables or amounts in dispute. We assessed the adequacy of the impairment allowance as of the end of the reporting period, taking into account factors such as the payment history, the subsequent settlements of the accounts receivable and contract assets, and other relevant information. We also evaluated whether the historical loss rates were appropriately applied and adjusted based on the current economic condition and forward-looking information.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Ho Yin.

Ernst & Young
Certified Public Accountants

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

21 June 2019

Consolidated Statement of Profit or Loss

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**645,835**	792,010
Cost of sales		**(626,055)**	(706,711)
Gross profit		**19,780**	85,299
Other income and gains	5	**3,397**	1,296
Fair value gain/(loss) on investment properties		**767**	(1,770)
Administrative expenses		**(36,939)**	(37,361)
Other operating expenses, net		**(3,072)**	(14,364)
Finance costs	7	**(3,741)**	(3,453)
PROFIT/(LOSS) BEFORE TAX	6	**(19,808)**	29,647
Income tax credit/(expense)	10	**86**	(905)
PROFIT/(LOSS) FOR THE YEAR		**(19,722)**	28,742
Attributable to:			
Owners of the Company		**(14,917)**	38,831
Non-controlling interests		**(4,805)**	(10,089)
		(19,722)	28,742
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic		**HK(1.49) cents**	HK3.88 cents
Diluted		**HK(1.49) cents**	HK3.29 cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**(19,722)**	28,742
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(551)**	2,726
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of leasehold land and buildings	12	**2,750**	1,607
Income tax effect	27	**(454)**	(265)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**2,296**	1,342
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,745**	4,068
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(17,977)**	32,810
Attributable to:			
Owners of the Company		**(13,468)**	42,612
Non-controlling interests		**(4,509)**	(9,802)
		(17,977)	32,810

Consolidated Statement of Financial Position

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**22,593**	20,567
Investment properties	13	**19,520**	—
Total non-current assets		**42,113**	20,567
CURRENT ASSETS			
Gross amount due from contract customers	14	**—**	44,055
Due from related companies	24	**5,902**	5,913
Accounts receivable	15	**62,485**	99,984
Prepayments, deposits and other receivables	16	**101,472**	131,273
Contract assets	17	**79,928**	—
Financial assets at fair value through profit or loss	18	**21,533**	19,621
Tax recoverable		**30**	1,209
Pledged deposits	19	**26,328**	26,236
Cash and cash equivalents	19	**75,327**	54,314
Total current assets		**373,005**	382,605
CURRENT LIABILITIES			
Gross amount due to contract customers	14	**—**	113,898
Accounts payable	20	**33,560**	39,062
Other payables and accruals	21	**60,568**	69,719
Contract liabilities	22	**173,640**	—
Due to a non-controlling shareholder	23	**1,500**	1,500
Due to a related company	24	**14**	15
Tax payable		**1,280**	2,337
Derivative component of convertible bonds	25	**—**	2,470
Liability component of convertible bonds	25	**31,346**	—
Interest-bearing bank borrowings	26	**12,100**	9,407
Total current liabilities		**314,008**	238,408
NET CURRENT ASSETS		**58,997**	144,197
TOTAL ASSETS LESS CURRENT LIABILITIES		**101,110**	164,764
NON-CURRENT LIABILITIES			
Liability component of convertible bonds	25	**—**	28,295
Deferred tax liabilities	27	**1,397**	1,128
Total non-current liabilities		**1,397**	29,423
Net assets		**99,713**	135,341

Consolidated Statement of Financial Position

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**25,000**	25,000
Reserves	30	**85,322**	113,115
		110,322	138,115
Non-controlling interests		**(10,609)**	(2,774)
Total equity		**99,713**	135,341

Mr. Keung Kwok Cheung
Director

Mr. Kwok Koon Keung
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2019

		Attributable to owners of the Company										
	Note	Issued capital HK$'000	Share premium account HK$'000	Contributed 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		25,000	9,381	(5,372)	15,916	1,183	1,951	5,581	41,863	95,503	7,028	102,531
Profit/(loss) for the year		–	–	–	–	–	–	–	38,831	38,831	(10,089)	28,742
Other comprehensive income for the year:												
Surplus on revaluation of leasehold land and buildings, net of tax		–	–	–	1,342	–	–	–	–	1,342	–	1,342
Exchange differences on translation of foreign operations		–	–	–	–	–	2,439	–	–	2,439	287	2,726
Total comprehensive income/ (loss) for the year		–	–	–	1,342	–	2,439	–	38,831	42,612	(9,802)	32,810
Release of property revaluation reserve		–	–	–	(3,352)	–	–	–	3,352	–	–	–
At 31 March 2018		**25,000**	**9,381**	**(5,372)**	**13,906**	**1,183**	**4,390**	**5,581**	**84,046**	**138,115**	**(2,774)**	**135,341**
Effect of adoption of HKFRS 9	2.2	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,209)**	**(8,209)**	**(3,178)**	**(11,387)**
Effect of adoption of HKFRS 15	2.2	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,116)**	**(6,116)**	**(148)**	**(6,264)**
At 1 April 2018 (restated)		**25,000**	**9,381**	**(5,372)**	**13,906**	**1,183**	**4,390**	**5,581**	**69,721**	**123,790**	**(6,100)**	**117,690**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,917)**	**(14,917)**	**(4,805)**	**(19,722)**
Other comprehensive income/(loss) for the year:												
Surplus on revaluation of leasehold land and buildings, net of tax		**–**	**–**	**–**	**2,296**	**–**	**–**	**–**	**–**	**2,296**	**–**	**2,296**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**(847)**	**–**	**–**	**(847)**	**296**	**(551)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**2,296**	**–**	**(847)**	**–**	**(14,917)**	**(13,468)**	**(4,509)**	**(17,977)**
Expiry of share options		**–**	**–**	**–**	**–**	**(1,183)**	**–**	**–**	**1,183**	**–**	**–**	**–**
Release of property revaluation reserve		**–**	**–**	**–**	**(414)**	**–**	**–**	**–**	**414**	**–**	**–**	**–**
At 31 March 2019		**25,000**	**9,381***	**(5,372)***	**15,788***	**–***	**3,543***	**5,581***	**56,401***	**110,322**	**(10,609)**	**99,713**

* These reserve accounts comprise the consolidated reserves of HK$85,322,000 (2018: HK$113,115,000) in the consolidated statement of financial position as at 31 March 2019.

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

Consolidated Statement of Cash Flows

Year ended 31 March 2019

	Notes	**2019 HK$'000**	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(19,808)**	29,647
Adjustments for:			
Finance costs	7	**3,741**	3,453
Interest income	5	**(471)**	(427)
Dividend income	5	**(2)**	(160)
Fair value loss/(gain) on investment properties	13	**(767)**	1,770
Loss on disposal of items of property, plant and equipment	6	**62**	52
Depreciation	6	**811**	808
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	5	**5,723**	(43,199)
Fair value gain on the derivative component of convertible bonds	6	**(2,470)**	(5,851)
Impairment/(reversal of impairment) of accounts receivable, net	6	**1,190**	(2,242)
Impairment of contract assets	6	**4,334**	—
		(7,657)	(16,149)
Increase in gross amount due from contract customers		**—**	(15,418)
Decrease in contract assets		**27,212**	—
Movement in balances with related companies, net		**10**	(13)
Decrease/(increase) in accounts receivable		**(30,598)**	33,237
Decrease/(increase) in financial assets at fair value through profit or loss		**(7,635)**	88,879
Decrease/(increase) in prepayments, deposits and other receivables		**28,062**	(99,391)
Decrease in gross amount due to contract customers		**—**	(10,942)
Increase/(decrease) in accounts payable		**(3,381)**	9,082
Decrease in other payables and accruals		**(7,713)**	(4,099)
Increase in contract liabilities		**40,289**	—
Cash generated from/(used in) operations		**38,589**	(14,814)
Interest paid		**(1,139)**	(906)
Hong Kong profits tax refunded/(paid)		**1,080**	(391)
Overseas taxes paid		**(907)**	(1,713)
Dividend received		**2**	160
Net cash flows from/(used in) operating activities		**37,625**	(17,664)

Consolidated Statement of Cash Flows

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**471**	427
Purchases of items of property, plant and equipment	12	**(184)**	(129)
Proceeds from disposal of items of property, plant and equipment		**–**	42
Purchases of investment properties		**(18,753)**	–
Proceeds from disposal of investment properties		**–**	9,676
Decrease/(increase) in pledged deposits		**(92)**	6,544
Net cash flows from/(used in) investing activities		**(18,558)**	16,560
CASH FLOWS FROM FINANCING ACTIVITIES			
New trust receipt loans		**27,273**	13,350
Repayment of trust receipt loans		**(20,379)**	(11,512)
Net cash flows from financing activities		**6,894**	1,838
NET INCREASE IN CASH AND CASH EQUIVALENTS		**25,961**	734
Cash and cash equivalents at beginning of year		**49,778**	47,620
Effect of foreign exchange rate changes, net		**(747)**	1,424
CASH AND CASH EQUIVALENTS AT END OF YEAR		**74,992**	49,778
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	19	**75,327**	54,314
Bank overdrafts, secured	26	**(335)**	(4,536)
Cash and cash equivalents as stated in the statement of cash flows		**74,992**	49,778

1. CORPORATE AND GROUP INFORMATION

Deson Construction International Holdings Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 18 July 2014. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
北京長迪建築裝飾工程有限公司 ("**Beijing Chang-de**") (a)*	The People's Republic of China (the "**PRC**")/Mainland China	Renminbi ("**RMB**") 16,000,000	Not classified	–	60	Decoration engineering
上海迪申建築裝潢有限公司 (b)*	PRC/Mainland China	US$900,000	N/A	–	100	Decoration engineering
Achieve Plus Investments Limited	Hong Kong	HK$1	Ordinary	–	100	Property investment
Colton Ventures Limited*	British Virgin Islands ("**BVI**")/Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson Development Limited	Hong Kong	HK$20,000,100 HK$20,000,000	Class A (i) Class B (i)	–	100	Construction contracting and investment holding
Deson Construction Engineering Limited*	BVI/Hong Kong	US$10,000	Ordinary	–	85.7	Investment holding
Deson Engineering Limited	Hong Kong	HK$10,000	Ordinary	–	100	Decoration engineering
Deson Industries Limited*	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson (Macau) Construction Limited*	Macau	MOP30,000	Ordinary	–	100	Decoration engineering

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Foregrand Holdings Inc.*	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Golden Kindex Limited*	Hong Kong	HK$1	Ordinary	–	100	Property investment
Grace Profits Investments Limited*	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Kenworth Group Limited*	BVI/Hong Kong	US$3	Ordinary	–	100	Investment holding
Kenworth Engineering Limited	Hong Kong	HK$54,374,140 HK$20,000,000	Ordinary Preference (ii)	–	100	Provision of electrical and mechanical engineering services, and investment in securities
Latest Ventures Limited*	BVI/Hong Kong	US$1,000	Ordinary	100	–	Investment holding
New Stream Holdings Limited*	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Rosy Beauty Investments Limited*	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding

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

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

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

Notes:

(i) The holders of class A shares have voting rights and are entitled to dividend distributions. Upon the winding-up of this company, the class A shareholders are entitled to return of assets. The holders of non-voting class B shares are not entitled to dividend distributions. Moreover, upon the winding-up of this company, the class B shareholders are not entitled to any return if the assets of this company are less than HK$100 trillion.

(ii) The holders of the preference shares have a cumulative preferential right to this company's profits at 10% of the nominal value of its share capital, but are not entitled to receive notice of or attend or vote at any meeting of members or any meeting of directors.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and financial assets at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Except for the amendments to HKFRS 4 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* 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: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (continued)

Classification and measurement (continued)

A reconciliation between the changes in carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	HKAS 39 measurement			HKFRS 9 measurement	
	Category	**Amount**	**ECL**	**Amount**	**Category**
		HK$'000	HK$'000	HK$'000	
Financial assets					
Accounts receivable (Note)	L&R[1]	44,868	(11,387)	33,481	AC[2]

1 L&R: Loans and receivables

2 AC: Financial assets at amortised cost

Note: The gross carrying amount of the accounts receivable under the column "HKAS 39 measurement — Amount" represents the amount after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2(c) to the financial statements.

As of 1 April 2018, other financial assets, including amounts due from related companies, financial assets included in prepayments, deposits and other receivables, pledged deposits and cash and cash equivalents, previously classified as loans and receivables under HKAS 39 were reclassified to financial assets at amortised cost under HKFRS 9 at their original carrying values, and there have been no changes to the classification or measurement of financial liabilities as a result of the adoption of HKFRS 9.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 15 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 April 2018**
	HK$'000	HK$'000	HK$'000
Accounts receivable	6,034	11,387	17,421

Impact on retained profits and non-controlling interests

The impact of transition to HKFRS 9 on retained profits and non-controlling interests is as follows:

	Retained profits	**Non-controlling interests**
	HK$'000	HK$'000
Balance as at 31 March 2018 under HKAS 39	84,046	(2,774)
Recognition of expected credit losses for accounts receivable under HKFRS 9	(8,209)	(3,178)
Balance as at 1 April 2018 under HKFRS 9	75,837	(5,952)

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/ (decrease)** HK$'000
Assets		
Gross amount due from contract customers	(i)	(44,055)
Accounts receivable	(i)	(55,116)
Contract assets	(i)	111,791
Total assets		12,620
Liabilities		
Gross amount due to contract customers	(i)	(113,898)
Contract liabilities	(i)	132,782
Total liabilities		18,884
Equity		
Retained profits	(ii)	(6,116)
Non-controlling interests	(ii)	(148)
		(6,264)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 March 2019 and for the year ended 31 March 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 March 2019:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	HK$'000	HK$'000	HK$'000
Revenue	(i)	645,835	711,957	(66,122)
Cost of sales	(i)	(626,055)	(692,142)	66,087
Gross profit		19,780	19,815	(35)
Loss before tax		(19,808)	(19,773)	(35)
Income tax credit		86	86	—
Loss for the year		(19,722)	(19,687)	(35)
Attributable to:				
Owners of the Group		(14,917)	(15,323)	406
Non-controlling interests	(ii)	(4,805)	(4,364)	(441)
		(19,722)	(19,687)	(35)
Loss per share attributable to ordinary equity holders of the Company				
Basic and diluted				
— For loss for the year		HK(1.49) cents	HK(1.53) cents	HK0.04 cent

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Consolidated statement of financial position as at 31 March 2019:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	HK$'000	HK$'000	HK$'000
Gross amount due from contract customers	(i)	—	1,438	(1,438)
Accounts receivable	(i)	62,485	124,254	(61,769)
Contract assets		79,928	—	79,928
Total assets		415,118	398,397	16,721
Gross amount due to contract customers	(i)	—	150,620	(150,620)
Contract liabilities	(i)	173,640	—	173,640
Total liabilities		315,405	292,385	23,020
Net assets		99,713	106,012	(6,299)
Retained profits	(ii)	56,401	62,111	(5,710)
Non-controlling interests	(ii)	(10,609)	(10,020)	(589)
Total equity		99,713	106,012	(6,299)

The nature of the adjustments as at 1 April 2018 and the reasons for the changes in the statement of financial position as at 31 March 2019 and the statement of profit or loss for the year ended 31 March 2019 are described below:

Notes:

(i) Construction services

Before the adoption of HKFRS 15, contract balances relating to construction contracts in progress were presented in the consolidated statement of financial position under "gross amount due from contract customers" or "gross amount due to contract customers". Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as gross amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as gross amount due to contract customers.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Notes: (continued)

(i) Construction services (continued)

Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified HK$44,055,000 from gross amount due from contract customers to contract assets and recognised profits of HK$12,620,000 as contract assets as at 1 April 2018. The Group also reclassified HK$113,898,000 from gross amount due to contract customers to contract liabilities including the recognition of contract liabilities in relation to the consideration received from customers in advance and loss of HK$18,884,000 as at 1 April 2018 as the Group had obligation to transfer goods and services to a customer for which the Group had received consideration.

Before the adoption of HKFRS 15, retention money receivables arising from construction contacts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in accounts receivable. Upon adoption of HKFRS 15, retention money receivables are reclassified to contract assets. Accordingly, the Group reclassified HK$55,116,000 from accounts receivable to contract assets as at 1 April 2018.

As at 31 March 2019, the adoption of HKFRS 15 resulted in an increase in contract assets of HK$79,928,000 and decreases in gross amount due from contract customers and accounts receivable of HK$1,438,000 and HK$61,769,000, respectively. It also resulted in an increase in contract liabilities by HK$173,640,000 and a decrease in gross amount due to contract customers by HK$150,620,000.

(ii) Other adjustments

In addition to the adjustments described above, other items of primary financial statements such as non-controlling interests were adjusted as necessary. Retained profits were adjusted accordingly.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 April 2019
2 Effective for annual periods beginning on or after 1 April 2020
3 Effective for annual periods beginning on or after 1 April 2021
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 April 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(b) (continued)

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

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

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

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

Investment properties

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

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

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

Operating leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018) (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 April 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

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

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018) (continued)

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

Continuing involvement that takes the form of a guarantee over the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable and contract assets which apply the simplified approach as detailed below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)

General approach (continued)

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

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

Financial assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) (continued)

Financial assets carried at amortised cost (continued)

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

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

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

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

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

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

The Group's financial liabilities include accounts payable, other payables and certain accruals, amounts due to a non-controlling shareholder and a related company, convertible bonds and interest-bearing bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 April 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 April 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) (continued)

Loans and borrowings

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

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

Convertible bonds

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion related to the derivative component is recognised immediately in the statement of profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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

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

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from 1 April 2018) (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Revenue from other sources

(a) Realised fair value gain or loss on investment in securities, is recognised on the trade date basis, whilst unrealised fair value gain or loss on change in fair value is recognised at the end of the reporting period;

(b) Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably; and

(c) Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable before 1 April 2018)

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

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts (applicable before 1 April 2018)" below;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;

(d) realised fair value gain or loss on investment in securities, on the trade date basis, whilst unrealised fair value gain or loss on change in fair value at the end of the reporting period; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Contract assets (applicable from 1 April 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 April 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Construction contracts (applicable before 1 April 2018)

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

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured either by reference (i) to the proportion of costs incurred to date to the estimated total cost of the relevant contract, (ii) to the percentage of certified work performed to date to the estimated total sum of the relevant contracts or (iii) to the percentage of completion of a physical proportion of the contract work performed to date to the estimated total sum of the relevant contracts.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (applicable before 1 April 2018) (continued)

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

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

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/(loss) per share.

Other employee benefits

Pension schemes

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

The Group also operates a defined contribution retirement benefit scheme (the "**ORSO Scheme**") under the Occupational Retirement Schemes Ordinance, for those employees who were eligible to participate. The ORSO Scheme operated in a similar way to the MPF Scheme, except that when an employee left the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited contributions. With effect from 1 December 2000, the Group has operated both schemes and those employees who are not eligible to participate in the ORSO Scheme are eligible to participate in the MPF Scheme.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue recognition for construction contracts

For the year ended 31 March 2019, the Group recognised revenue from construction contracting and related businesses amounting to HK$651,102,000 (2018: HK$748,651,000). The Group has recognised revenue from the provision of construction services over time, using an input method to measure the progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and forecasts in relation to costs to complete and profit margin.

Estimation uncertainty

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

Provision for expected credit losses on accounts receivable and contract assets

The Group uses provision matrices to calculate ECLs for accounts receivable and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on accounts receivable and contract assets (continued)

The provision matrices are initially based on the Group's historical observed default rates. The Group will calibrate the matrices to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's accounts receivable and contract assets is disclosed in notes 15 and note 17 to the financial statements, respectively.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 March 2019 was HK$19,520,000 (2018: Nil). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Estimates regarding the realisability of deferred tax assets

Estimating the amount for deferred tax assets arising from tax losses requires a process that involves determining appropriate provisions for taxation, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future taxable profits. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of the unrecognised tax losses of the Group are set out in note 27 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2018: three, restated) 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.

In the prior year, the Group had two reportable segments which were the construction business segment and the securities investment segment. As a result of the Group's acquisition of investment properties and the increased transaction volume of rental activities during the year, management has reassessed the Group's segment reporting and decided that for financial reporting purposes, there is a new reportable operating segment as the resources allocation, performance assessment and decision making of the property investment segment are considered separately. The Group's comparative reportable segment information is restated as if the Group had been operating under the three segments for the year ended 31 March 2018.

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

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2019

	Construction business HK$'000	Securities investment HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue (note 5):				
Income/(loss) from external customers	651,102	(5,721)	454	645,835
Other income and gains	2,926	–	–	2,926
	654,028	(5,721)	454	648,761
Segment results				
Operating profit/(loss)	(12,962)	(5,721)	1,026	(17,657)
Reconciliation:				
Interest income				471
Fair value gain on the derivative component of convertible bonds				2,470
Unallocated expenses				(1,351)
Finance costs				(3,741)
Loss before tax				(19,808)
Segment assets	272,365	21,533	19,535	313,433
Reconciliation:				
Corporate and other unallocated assets				101,685
Total assets				415,118
Segment liabilities	269,090	–	192	269,282
Reconciliation:				
Corporate and other unallocated liabilities				46,123
Total liabilities				315,405
Other segment information:				
Fair value gain on investment properties	–	–	(767)	(767)
Loss on disposal of items of property, plant and equipment	62	–	–	62
Impairment of accounts receivable	1,190	–	–	1,190
Impairment of contract assets	4,334	–	–	4,334
Depreciation	811	–	–	811
Capital expenditure*	184	–	18,753	18,937

* Capital expenditure represents additions to property, plant and equipment, and investment properties.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2018 (restated)

	Construction business HK$'000	Securities investment HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue:				
Income from external customers	748,651	43,359	—	792,010
Other income and gains	233	—	636	869
	748,884	43,359	636	792,879
Segment results				
Operating profit/(loss)	10,307	42,058	(1,224)	51,141
Reconciliation:				
Interest income				427
Fair value gain on the derivative component of convertible bonds				5,851
Provision for cash loss				(22,361)
Unallocated expenses				(1,958)
Finance costs				(3,453)
Profit before tax				29,647
Segment assets	301,792	19,621	—	321,413
Reconciliation:				
Corporate and other unallocated assets				81,759
Total assets				403,172
Segment liabilities	222,894	1,300	—	224,194
Reconciliation:				
Corporate and other unallocated liabilities				43,637
Total liabilities				267,831
Other segment information:				
Fair value loss on investment properties	—	—	1,770	1,770
Loss on disposal of items of property, plant and equipment	52	—	—	52
Reversal of impairment of accounts receivable	(2,242)	—	—	(2,242)
Depreciation	808	—	—	808
Capital expenditure*	129	—	—	129

* Capital expenditure represents additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000
Hong Kong	**479,086**	547,610
Mainland China	**166,749**	240,197
Macau	**–**	4,203
	645,835	792,010

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

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Hong Kong	**42,042**	20,540
Mainland China	**71**	27
	42,113	20,567

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

Information about a major customer

During the year, revenue of approximately HK$168,640,000 (2018: HK$112,074,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer. For the purpose of identifying major customers, revenue derived from the securities investment segment is excluded.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the revenue is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
Income from the construction contracting and related businesses	**651,102**	748,651
Revenue from other sources		
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	**(5,723)**	43,199
Dividend income from equity investments at fair value through profit or loss	**2**	160
Gross rental income	**454**	—
	645,835	792,010

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 March 2019

	HK$'000
Building construction works	**163,239**
Electrical and mechanical engineering works	**161,570**
Fitting-out works	**326,293**
Total revenue from contracts with customers transferred over time	**651,102**

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 March 2019, the revenue from contracts with customers of HK$651,102,000 is the same as the amount of income form external customers under the construction business segment.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019 **HK$'000**
Construction services	**100,231**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 14 days to 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Other income and gains

Other income and gains include the following:

	2019 HK$'000	2018 HK$'000
Bank interest income	471	427
Gross rental income	–	636
Bad debt recovery from a winding-up customer	2,528	–
Others	398	233
	3,397	1,296

6. PROFIT/(LOSS) BEFORE TAX

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

	2019 HK$'000	2018 HK$'000
Cost of construction contracting	**626,055**	706,711
Auditor's remuneration	**1,600**	1,400
Depreciation (note 12)	**811**	808
Minimum lease payments under operating leases on land and buildings	**2,664**	2,595
Rental income on investment properties	**(454)**	(636)
Less: Outgoings	**22**	90
Net rental income	**(432)**	(546)
Employee benefit expense (including directors' remuneration — note 8):		
Wages, salaries, bonuses and allowances	**33,317**	32,627
Pension scheme contributions*	**926**	940
Less: Amount capitalised	**(11,958)**	(13,177)
	22,285	20,390
Provision for cash loss^	**—**	22,361
Loss on disposal of items of property, plant and equipment^	**62**	52
Foreign exchange differences, net^	**(44)**	44
Impairment of financial and contract assets, net:		
Impairment/(reversal of impairment) on accounts receivable, net (note 15)^	**1,190**	(2,242)
Impairment of contract assets^	**4,334**	—
	5,524	(2,242)
Fair value gain on the derivative component of convertible bonds (note 25)^	**(2,470)**	(5,851)

* At 31 March 2019, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2018: Nil).

^ These amounts are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Interest on bank loans and overdrafts	**521**	288
Interest on convertible bonds (note 25)	**3,669**	3,313
Less: Interest capitalised	**(449)**	(148)
	3,741	3,453

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2019 HK$'000	2018 HK$'000
Fees	**600**	600
Other emoluments:		
Salaries, bonuses and allowances	**5,286**	4,950
Pension scheme contributions	**132**	128
	6,018	5,678

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

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

	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Total remuneration HK$'000
2019			
Independent non-executive directors:			
Mr. Lee Tho Siem	**120**	**–**	**120**
Mr. Cheung Ting Kee	**120**	**–**	**120**
Mr. Chan Ka Yin	**120**	**–**	**120**
	360	**–**	**360**
Non-executive directors:			
Mr. Tjia Boen Sien	**120**	**–**	**120**
Mr. Ong King Keung	**120**	**–**	**120**
	600	**–**	**600**
2018			
Independent non-executive directors:			
Mr. Lee Tho Siem	120	–	120
Mr. Cheung Ting Kee	120	–	120
Mr. Chan Ka Yin	120	–	120
	360	–	360
Non-executive directors:			
Mr. Tjia Boen Sien	120	–	120
Mr. Ong King Keung	120	–	120
	600	–	600

There were no other emoluments payable to the non-executive directors and independent non-executive directors during the year (2018: Nil).

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

(b) Executive directors

	Salaries, bonuses and allowances HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019			
Mr. Keung Kwok Cheung ("**Mr. Keung**")*	**1,893**	**78**	**1,971**
Mr. Kwok Koon Keung	**1,245**	**18**	**1,263**
Mr. Lo Wing Ling	**1,336**	**18**	**1,354**
Mr. Ong Chi King	**812**	**18**	**830**
	5,286	**132**	**5,418**
2018			
Mr. Keung	1,807	74	1,881
Mr. Kwok Koon Keung	1,189	18	1,207
Mr. Lo Wing Ling	1,286	18	1,304
Mr. Ong Chi King	668	18	686
	4,950	128	5,078

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT

The five highest paid employees during the year included three (2018: three) directors and the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2018: two) non-director, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries, bonuses and allowances	**2,153**	2,017
Pension scheme contributions	**96**	91
	2,249	2,108

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

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	2
	2	2

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

	2019	2018
	HK$'000	HK$'000
Salaries, bonuses and allowances	**1,710**	1,510
Pension scheme contributions	**36**	36
	1,746	1,546

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during the year or the Group's subsidiaries had available tax losses brought forward from previous years to offset the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019 **HK$'000**	2018 HK$'000
Current — Hong Kong		
Charge for the year	**99**	262
Current — Elsewhere		
Charge for the year	**—**	1,388
Deferred (note 27)	**(185)**	(2,091)
Land appreciation tax ("**LAT**") in Mainland China	**—**	1,346
Total tax charge/(credit) for the year	**(86)**	905

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

	2019 **HK$'000**	2018 HK$'000
Profit/(loss) before tax	**(19,808)**	29,647
Tax at the statutory tax rate	**(4,458)**	3,086
Income not subject to tax	**(660)**	(1,074)
Expenses not deductible for tax	**1,480**	6,539
Tax losses utilised from previous periods	**(482)**	(9,156)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**(22)**	(164)
Tax losses and temporary differences not recognised	**4,274**	618
LAT	**—**	1,346
Others	**(218)**	(290)
Tax charge/(credit) at the Group's effective rate of 0.4% (2018: 3.1%)	**(86)**	905

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (2018: 1,000,000,000) in issue during the year.

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

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

	2019	2018
	HK$'000	HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**(14,917)**	38,831
Interest on convertible bonds (note 7)	**3,669**	3,313
Fair value gain on the derivative component of convertible bonds (note 6)	**(2,470)**	(5,851)
Profit/(loss) attributable to ordinary equity holders of the Company before the effect of convertible bonds	**(13,718)**	36,293

	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**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
	1,103,000,000	1,103,000,000

* The share options granted on 3 February 2016 had an anti-dilutive effect on the basic earnings/(loss) per share and have not been included in the diluted earnings/(loss) per share calculation for the year ended 31 March 2019 and 31 March 2018.

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

** For the year ended 31 March 2019, because the diluted loss per share amount is decreased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss for the year of HK$14,917,000, and the weighted average number of ordinary shares of 1,000,000,000 in issue during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2019							
At 31 March 2018 and at 1 April 2018:							
Cost or valuation	19,400	1,120	1,506	1,973	1,520	2,578	28,097
Accumulated depreciation	–	(1,039)	(1,401)	(1,677)	(1,479)	(1,934)	(7,530)
Net carrying amount	19,400	81	105	296	41	644	20,567
At 1 April 2018, net of accumulated depreciation	19,400	81	105	296	41	644	20,567
Additions	–	–	9	164	11	–	184
Disposals	–	–	–	(61)	(1)	–	(62)
Surplus on revaluation	2,750	–	–	–	–	–	2,750
Depreciation provided during the year	(550)	–	(26)	(100)	(13)	(122)	(811)
Exchange realignment	–	(6)	–	(24)	–	(5)	(35)
At 31 March 2019	21,600	75	88	275	38	517	22,593
At 31 March 2019:							
Cost or valuation	21,600	1,030	1,515	1,535	1,496	2,527	29,703
Accumulated depreciation	–	(955)	(1,427)	(1,260)	(1,458)	(2,010)	(7,110)
Net carrying amount	21,600	75	88	275	38	517	22,593

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2018							
At 1 April 2017:							
Cost or valuation	18,300	1,119	1,506	1,923	1,491	2,741	27,080
Accumulated depreciation	–	(1,039)	(1,371)	(1,512)	(1,469)	(1,960)	(7,351)
Net carrying amount	18,300	80	135	411	22	781	19,729
At 1 April 2017, net of accumulated depreciation	18,300	80	135	411	22	781	19,729
Additions	–	–	–	50	29	50	129
Disposals	–	–	–	–	–	(94)	(94)
Surplus on revaluation	1,607	–	–	–	–	–	1,607
Depreciation provided during the year	(507)	–	(30)	(160)	(10)	(101)	(808)
Exchange realignment	–	1	–	(5)	–	8	4
At 31 March 2018	19,400	81	105	296	41	644	20,567
At 31 March 2018:							
Cost or valuation	19,400	1,120	1,506	1,973	1,520	2,578	28,097
Accumulated depreciation	–	(1,039)	(1,401)	(1,677)	(1,479)	(1,934)	(7,530)
Net carrying amount	19,400	81	105	296	41	644	20,567

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Peak Vision Appraisals Limited, an independent professionally qualified valuer, at an aggregate open market value of HK$21,600,000 (2018: HK$19,400,000) based on their existing use.

A revaluation surplus of HK$2,750,000 (2018: HK$1,607,000) resulting from the revaluation has been credited to other comprehensive income.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$1,431,000 (2018: HK$1,485,000).

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 March 2019, leasehold land and buildings of the Group with an aggregate carrying amount of HK$21,600,000 (2018: HK$19,400,000) were pledged to secure certain banking facilities granted to the Group (note 26).

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

Fair value hierarchy

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

	Fair value measurement as at 31 March 2019 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Office premises and warehouse	**–**	**–**	**21,600**	**21,600**

	Fair value measurement as at 31 March 2018 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Office premises and warehouse	–	–	19,400	19,400

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fair value hierarchy (continued)

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

	2019	2018
	HK$'000	HK$'000
Carrying amount at beginning of year	**19,400**	18,300
Depreciation	**(550)**	(507)
Surplus on revaluation recognised in other comprehensive income	**2,750**	1,607
Carrying amount at end of year	**21,600**	19,400

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

	Valuation technique	**Significant unobservable input**	**Range (weighted average)**	
			2019	2018
Office premises and warehouse	Direct comparison approach	Market unit sale price (per square foot)	**HK$4,340**	HK$3,900

The direct comparison approach

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

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

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

13. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Carrying amount at beginning of year	–	10,961
Additions (from acquisition)	18,753	–
Net gain/(loss) from fair value adjustment	767	(1,770)
Disposals	–	(9,676)
Exchange realignment	–	485
Carrying amount at end of year	19,520	–

As at 31 March 2019, the Group's investment properties consist of two commercial properties in Hong Kong. The directors of the Company have determined that the investment properties were commercial properties, based on the nature, characteristics and risks of the properties. The Group's investment properties were revalued on 31 March 2019 based on valuations performed by Peak Vision Appraisals Limited, an independent professionally qualified valuer, at HK$19,520,000. Each year, the Group appoints an external valuer to be responsible for the external valuation of the Group's properties and has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

In the prior year, the Group disposed of the investment properties to a third party for a cash consideration of HK$9,676,000.

As at 31 March 2019, the investment properties are leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

Further particulars of the Group's investment properties are included on page 51.

13. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

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

	Fair value measurement as at 31 March 2019 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**19,520**	**19,520**

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

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

	Commercial properties HK$'000
Carrying amount at beginning of year	–
Additions (from acquisition)	18,753
Net gain from a fair value adjustment recognised in profit or loss	767
Carrying amount at end of year	19,520

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

	Valuation technique	**Significant unobservable inputs**	**Range 2019**	2018
Commercial properties	Investment approach	Market unit rent (per square foot)	**HK$31.0 to HK$34.5**	N/A
		Term yield	**2.75%**	N/A
		Reversionary yield	**3.00% to 3.50%**	N/A

13. INVESTMENT PROPERTIES (CONTINUED)

The investment approach

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

The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the estimated rental value and reversionary yield, while it takes into account the rental value generated from the existing lease term to arrive at the term yield.

The key input was the estimated rental value, term yield and reversionary yield, which a significant increase/(decrease) in these inputs would result in a significant increase/(decrease) in the fair value of the investment properties.

14. CONSTRUCTION CONTRACTS

	2019 **HK$'000**	2018 HK$'000
Gross amount due from contract customers	–	44,055
Gross amount due to contract customers	–	(113,898)
	–	(69,843)
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	–	3,958,380
Less: Progress billings	–	(4,028,223)
	–	(69,843)

15. ACCOUNTS RECEIVABLE

	2019 HK$'000	2018 HK$'000
Accounts receivable	**77,272**	50,902
Impairment	**(14,787)**	(6,034)
	62,485	44,868
Retention money receivables	**–**	55,116
	62,485	99,984

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. In the prior year, the retention money receivables in respect of construction works carried out by the Group, the due dates were usually one year after completion of the construction works which was reclassified to contract assets as at 1 April 2018. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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

	2019 HK$'000	2018 HK$'000
Within 90 days	**53,793**	18,795
91 to 180 days	**3,296**	7,357
181 to 360 days	**3,299**	6,069
Over 360 days	**2,097**	12,647
	62,485	44,868
Retention money receivables	**–**	55,116
Total	**62,485**	99,984

15. ACCOUNTS RECEIVABLE (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
At beginning of year	6,034	8,276
Effect of adoption of HKFRS 9	11,387	—
At beginning of year (restated)	17,421	8,276
Impairment losses, net (note 6)	1,190	(2,242)
Amount written off as uncollectible	(3,315)	—
Exchange realignment	(509)	—
At end of year	14,787	6,034

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using provision matrices to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's accounts receivable using provision matrices:

As at 31 March 2019

		Past due				
	Current	Less than 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total
Group A						
Expected credit loss rate	0.11%	2.73%	4.09%	28.83%	70.36%	10.10%
Gross carrying amount (HK$'000)	40,516	10,468	3,084	3,545	7,200	64,813
Expected credit losses (HK$'000)	44	285	126	1,022	5,066	6,543

15. ACCOUNTS RECEIVABLE (CONTINUED)

Impairment under HKFRS 9 for the year ended 31 March 2019 (continued)

As at 31 March 2019 (continued)

		Past due				
	Current	**Less than 90 days**	**91 to 180 days**	**181 to 360 days**	**Over 360 days**	**Total**
Group B						
Expected credit loss rate	**0.43%**	**1.89%**	**12.00%**	**51.89%**	**89.59%**	**66.17%**
Gross carrying amount (HK$'000)	**2,808**	**212**	**–**	**607**	**8,832**	**12,459**
Expected credit losses (HK$'000)	**12**	**4**	**–**	**315**	**7,913**	**8,244**

The Group categorised its customers by making reference to their geographical regions into the following groups:

- Group A: Geographical region in Hong Kong
- Group B: Geographical region in the PRC

Impairment under HKAS 39 for the year ended 31 March 2018

Included in the above provision for impairment of accounts receivable, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018 was a provision for individually impaired accounts receivable of HK$6,034,000 with a carrying amount before provision of HK$6,034,000. The individually impaired accounts receivable as at 31 March 2018 related to customers that were in financial difficulties or the customers that were in default in repayments and the receivables were not expected to be recovered.

15. ACCOUNTS RECEIVABLE (CONTINUED)

Impairment under HKAS 39 for the year ended 31 March 2018 (continued)

The ageing analysis of the accounts receivable as at 31 March 2018 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 HK$'000
Neither past due nor impaired	11,409
Less than 3 months past due	9,045
3 to 6 months past due	6,264
More than 6 months past due	18,150
	44,868

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

None of the retention money receivables is either past due or impaired.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Deposits	**765**	1,194
Prepayments and other receivables	**104,335**	133,735
	105,100	134,929
Impairment allowance	**(3,628)**	(3,656)
	101,472	131,273

Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

The movements in the impairment allowance are as follows:

	2019 **HK$'000**	2018 HK$'000
At beginning of year	**3,656**	3,614
Exchange realignment	**(28)**	42
At end of year	**3,628**	3,656

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

17. CONTRACT ASSETS

	Notes	**31 March 2019** **HK$'000**	1 April 2018 HK$'000	31 March 2018 HK$'000
Unbilled revenue	(a)	**22,493**	56,675	—
Retention money receivables	(b)	**61,769**	55,116	—
		84,262	111,791	—
Impairment		**(4,334)**	—	—
		79,928	111,791	—

Notes:

(a) Unbilled revenue is initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as unbilled revenue are reclassified to accounts receivable.

The decrease in contract assets in 2019 was the result of the decrease in the provision of construction services at the end of the year.

(b) Retention money receivables are part of the consideration that the customers retain which is payable on successful completion of the contracts in order to provide the customers with assurance that the Group will complete its obligation satisfactorily under the contracts, rather than to provide financing to the customers.

17. CONTRACT ASSETS (CONTINUED)

During the year ended 31 March 2019, HK$4,334,000 was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 15 to the financial statements.

The contract assets are expected to be recovered or settled within 2 years upon completion of services and acceptance by the customer.

The movements in the loss allowance for impairment of contract assets are as follows:

	2019 HK$'000
At beginning of year	–
Impairment losses (note 6)	4,334
At end of year	4,334

An impairment analysis is performed at each reporting date using provision matrices to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the accounts receivable as the contract assets and the accounts receivable are from the same customer bases. The provision rates of contract assets are based on days past due of accounts receivable for groupings of various customer segments with similar loss patterns (i.e., by geographical region). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

17. CONTRACT ASSETS (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's contract assets using provision matrices:

As at 31 March 2019

Group A

Expected credit loss rate	3.6%
	HK$'000
Gross carrying amount	65,787
Expected credit losses	2,357

Group B

Expected credit loss rate	10.7%
	HK$'000
Gross carrying amount	18,475
Expected credit losses	1,977

The Group categorised its customers by making reference to their geographical region into the following groups:

- Group A: Geographical region in Hong Kong
- Group B: Geographical region in the PRC

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	HK$'000
Listed equity investments, at fair value	**21,533**	19,621

The above equity investments at 31 March 2019 were classified as financial assets at fair value through profit or loss as they were held for trading.

The fair value of the Group's short term investments at the date of approval of these financial statements was approximately HK$24,503,000.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**29,827**	46,314
Time deposits	**71,828**	34,236
	101,655	80,550
Less: Pledged deposits for banking facilities (note 26)	**(26,328)**	(26,236)
Cash and cash equivalents	**75,327**	54,314

At 31 March 2019, the aggregate cash and bank balances and deposits of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$9,531,000 (2018: approximately HK$11,665,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

20. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Within 90 days	**5,426**	9,381
91 to 180 days	**10,187**	10,561
181 to 360 days	**525**	7,761
Over 360 days	**17,422**	11,359
	33,560	39,062

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

21. OTHER PAYABLES AND ACCRUALS

	2019 **HK$'000**	2018 HK$'000
Other payables	**53,164**	57,124
Accruals	**7,404**	12,595
	60,568	69,719

Other payables are non-interest-bearing and are either settled on 30-day terms or repayable on demand.

22. CONTRACT LIABILITIES

Details of contract liabilities as at 31 March 2019 and 1 April 2018 are as follows:

	31 March 2019 **HK$'000**	1 April 2018 HK$'000
Short-term advances received from customers		
Construction services	**173,640**	132,782

Contract liabilities include short-term advances received to deliver construction services. The increase in contract liabilities in 2019 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of the year.

23. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

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

24. BALANCES WITH RELATED COMPANIES

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

The particulars of amounts due from related companies are as follows:

Name	**At 31 March 2019 HK$'000**	**Maximum amount outstanding during the year HK$'000**	At 31 March 2018 and 1 April 2018 HK$'000	Maximum amount outstanding during the year HK$'000	At 1 April 2017 HK$'000
Excel Win Limited	**1,413**	**1,413**	1,413	1,413	1,413
Deson Development International Holdings Investment Limited	**100**	**100**	100	100	100
Asia Construction Holdings Limited	**4,238**	**4,238**	4,238	4,238	4,238
Ach Sirlanka (PVT) Limited	**143**	**143**	143	143	143
Grand On Enterprise Limited	**8**	**19**	19	22	6
	5,902		5,913		5,900

25. 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 18 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 spilt 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.

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

The fair value of the derivative component was determined based on the valuation performed by Peak Vision Appraisals Limited, an independent qualified professional valuer, using the applicable option pricing model.

25. CONVERTIBLE BONDS (CONTINUED)

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 (note 7)	3,313	—	3,313
Fair value adjustment (note 6)	—	(5,851)	(5,851)
At 31 March 2018 and 1 April 2018	**28,295**	**2,470**	**30,765**
Interest paid	**(618)**	**—**	**(618)**
Interest expense (note 7)	**3,669**	**—**	**3,669**
Fair value adjustment (note 6)	**—**	**(2,470)**	**(2,470)**
At 31 March 2019	**31,346**	**—**	**31,346**

Subsequent to the end of the reporting period, the convertible bonds were fully redeemed by the Company.

26. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank overdrafts — secured	**Prime rate (note) + 0.75 to 2.00**	**—**	**335**	Prime rate (note) + 0.75	—	4,536
Trust receipt loans — secured	**Prime rate (note) + 0.875 to 2.75**	**2019–2020**	**11,765**	Prime rate (note) + 0.875	2018–2019	4,871
			12,100			9,407

26. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank loans, overdrafts and trust receipt loans repayable within one year or on demand	**12,100**	9,407

Note: The rates represent the prevailing prime lending rates used by the respective banks in Hong Kong.

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

All borrowings are in Hong Kong dollars.

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$21,600,000 (2018: HK$19,400,000) (note 12); and

(ii) the pledge of the Group's deposits of HK$26,328,000 (2018: HK$26,236,000) (note 19).

27. DEFERRED TAX

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

	2019			
	Decelerated tax depreciation HK$'000	**Revaluation of properties HK$'000**	**Withholding taxes HK$'000**	**Total HK$'000**
At 31 March 2018 and 1 April 2018	**(2,347)**	**3,453**	**22**	**1,128**
Deferred tax (credited)/debited to the statement of profit or loss during the year (note 10)	**(290)**	**127**	**(22)**	**(185)**
Deferred tax debited to the statement of comprehensive income during the year	**–**	**454**	**–**	**454**
At 31 March 2019	**(2,637)**	**4,034**	**–**	**1,397**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

27. DEFERRED TAX (CONTINUED)

	2018			
	Decelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 April 2017	(2,347)	5,034	186	2,873
Deferred tax credited to the statement of profit or loss during the year (note 10)	–	(1,927)	(164)	(2,091)
Deferred tax debited to the statement of comprehensive income during the year	–	265	–	265
Exchange realignment	–	81	–	81
At 31 March 2018	(2,347)	3,453	22	1,128

The Group has estimated tax losses arising in Hong Kong of approximately HK$414,431,000 (2018: HK$412,932,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Mainland China of approximately HK$6,587,000 (2018: HK$3,306,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

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

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

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

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and in the opinion of the directors of the Company, it is not considered probable that taxable profit will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

Shares

	2019 **HK$'000**	2018 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.025 each	**100,000**	100,000
Issued and fully paid:		
1,000,000,000 ordinary shares of HK$0.025 each	**25,000**	25,000

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of any member of the Group. 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 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 day of such period.

29. SHARE OPTION SCHEME (CONTINUED)

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) The Stock Exchange of Hong Kong Limited (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 following share options were outstanding under the Scheme during the year:

	2019		2018	
	Weighted average exercise price HK$ per share	**Number of options ’000**	Weighted average exercise price HK$ per share	Number of options ’000
At beginning of year	**0.28**	**18,000***	0.28	18,000*
Expired during the year	**(0.28)**	**(18,000)**	—	—
At end of year	**–**	**–**	0.28	18,000*

* These share options had an exercise price of HK$0.28 per share which was subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

During the year, no share option was granted (2018: Nil). 18,000,000 share options (2018: Nil) were lapsed during the year and share option reserve of HK$1,183,000 (2018: Nil) was transferred to retained profits accordingly.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on page 62 of the financial statements.

31. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Beijing Chang-de	**40%**	40%

	2019 **HK$'000**	2018 HK$'000
Loss for the year allocated to non-controlling interests:		
Beijing Chang-de	**(4,801)**	(10,085)
Accumulated balances of non-controlling interests at the reporting dates:		
Beijing Chang-de	**(9,277)**	(1,446)

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

	2019 **HK$'000**	2018 HK$'000
Revenue	**157,969**	235,990
Total expenses	**(169,972)**	(261,202)
Loss for the year	**(12,003)**	(25,212)
Total comprehensive loss for the year	**(11,263)**	(24,491)
Current assets	**32,965**	44,125
Non-current assets	**65**	18
Current liabilities	**(56,223)**	(47,757)
Net cash flows used in operating activities	**(918)**	(16,420)
Net cash flows from/(used in) investing activities	**(81)**	9,823
Net decrease in cash and cash equivalents	**(999)**	(6,597)

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Trust receipt loans HK$'000	**Liability component of convertible bonds** HK$'000
At 1 April 2017	3,033	25,600
Changes from financing cash flows	1,838	—
Interest expense (note 7)	—	3,313
Interest paid classified as operating cash flows	—	(618)
At 31 March 2018 and 1 April 2018	**4,871**	**28,295**
Changes from financing cash flows	**6,894**	**—**
Interest expense (note 7)	**—**	**3,669**
Interest paid classified as operating cash flows	**—**	**(618)**
At 31 March 2019	**11,765**	**31,346**

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**552**	—
In the second to fifth years, inclusive	**98**	—
	650	—

33. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) As lessee

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 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**3,309**	2,606
In the second to fifth years, inclusive	**213**	558
	3,522	3,164

34. COMMITMENT

In addition to the operating lease commitments detailed in note 33 above, the Group entered into a sale and purchase agreement during the year for the acquisition of the entire equity interest in Simple Rise Inc., a company incorporated in the BVI which is engaged in property investment, at a consideration of HK$19,500,000. An initial refundable deposit of HK$2,925,000 was placed by the Group to the vendor as of 31 March 2019. The remaining consideration of HK$16,575,000 will be payable to the vendor upon expected completion of the transaction in August 2019.

35. RELATED PARTY TRANSACTIONS

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

	Notes	**2019 HK$'000**	2018 HK$'000
Management fees received from a subsidiary of the Company's substantial shareholder	(i)	**110**	73
Rental expenses paid to a subsidiary of the Company's substantial shareholder	(ii)	**1,716**	1,716
Income from the construction contracting and related services received from an associate of the Company's substantial shareholder	(iii)	**6,603**	1,180

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 (2018: 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.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

(i) Details of the Group's balance with a non-controlling shareholder as at the end of the reporting period are included in note 23 to the financial statements.

(ii) Details of the Group's balances with its related companies as at the end of the reporting period are included in note 24 to 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 8 to the financial statements.

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Financial assets at fair value through profit or loss	
	Held for trading	
	2019	2018
	HK$'000	HK$'000
Financial assets at fair value through profit or loss (note 18)	**21,533**	19,621

	Financial assets at amortised cost	Loans and receivables
	2019	2018
	HK$'000	HK$'000
Due from related companies	**5,902**	5,913
Accounts receivable	**62,485**	99,984
Financial assets included in prepayments, deposits and other receivables	**69,872**	130,628
Pledged deposits	**26,328**	26,236
Cash and cash equivalents	**75,327**	54,314
	239,914	317,075

Financial liabilities

	Financial liabilities at amortised cost	
	2019	2018
	HK$'000	HK$'000
Accounts payable	**33,560**	39,062
Financial liabilities included in other payables and accruals	**58,433**	51,928
Due to a non-controlling shareholder	**1,500**	1,500
Due to a related company	**14**	15
Interest-bearing bank borrowings	**12,100**	9,407
Liability component of convertible bonds	**31,346**	28,295
	136,953	130,207

	Financial liabilities at fair value through profit or loss	
	2019	2018
	HK$'000	HK$'000
Derivative component of convertible bonds	**–**	2,470

37. 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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at fair value through profit or loss (note 18)	**21,533**	19,621	**21,533**	19,621
Financial liabilities				
Derivative component of convertible bonds	**–**	2,470	**–**	2,470
Liability component of convertible bonds	**31,346**	28,295	**31,462**	30,512
	31,346	30,765	**31,462**	32,982

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, accounts receivable, accounts payable, 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 a related company 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 prices.

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 of the Company 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.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2019 and 2018:

	Valuation technique	**Significant unobservable inputs**	**Ratio**	**Sensitivity of fair value to the inputs**
Derivative component of convertible bonds	Binomial model	Volatility	2019: 61.76% (2018: 64.58%)	A 10% (2018: 10%) increase in the volatility adopted would result in an increase to the fair value by nil (2018: HK$435,000), while a 10% (2018: 10%) decrease in the volatility adopted would result in a decrease to the fair value by nil (2018:HK$372,000).
		Risky discount rate	2019: 3.66% (2018: 3.24%)	A 10% (2018: 10%) increase in the risky discount rate adopted would result in a decrease to the fair value by HK$5,000 (2018: increase by HK$10,000), while a 10% (2018: 10%) decrease in the risky discount rate adopted would result in an increase to the fair value by HK$6,000 (2018: decrease by HK$10,000).

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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 31 March 2019

	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$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss	**21,533**	**–**	**–**	**21,533**

As at 31 March 2018

	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$'000	Total HK$'000
Financial assets at fair value through profit or loss	19,621	–	–	19,621

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 March 2018

	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$'000	Total HK$'000
Derivative component of convertible bonds	–	–	2,470	2,470

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

	2019 HK$'000	2018 HK$'000
Derivative component of convertible bonds		
At beginning of year	**2,470**	8,321
Fair value adjustment recognised in statement of profit or loss	**(2,470)**	(5,851)
At end of year	**–**	2,470

Liabilities for which fair value are disclosed:

As at 31 March 2019

	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$'000**	**Total HK$'000**
Liability component of convertible bonds	**–**	**–**	**31,462**	**31,462**

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair value are disclosed: (continued)

As at 31 March 2018

	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$'000	Total HK$'000
Liability component of convertible bonds	—	—	30,512	30,512

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

The interest rates and terms of repayment of interest-bearing bank borrowings are disclosed in note 26 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans and overdrafts, cash and bank balances, and short term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are charged to the consolidated statement of profit or loss as incurred.

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

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

	Increase/ (decrease) in basis points %	**Decrease/ (increase) in loss before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2019			
Hong Kong dollar	**100**	**(136)**	**–**
Hong Kong dollar	**(100)**	**136**	**–**

	Increase/ (decrease) in basis points %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2018			
Hong Kong dollar	100	(101)	–
Hong Kong dollar	(100)	101	–

* Excluding retained profits

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

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

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

	Increase/ (decrease) in RMB rate %	**Decrease/ (increase) in loss before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2019			
If the Hong Kong dollar weakens against RMB	**5**	**849**	**–**
If the Hong Kong dollar strengthens against RMB	**(5)**	**(849)**	**–**

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2018			
If the Hong Kong dollar weakens against RMB	5	107	–
If the Hong Kong dollar strengthens against RMB	(5)	(107)	–

* Excluding retained profits

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

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

Maximum exposure and year-end staging as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are net carrying amounts for financial assets.

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Due from related companies	5,902	—	—	—	5,902
Accounts receivable*	—	—	—	62,485	62,485
Financial assets included in prepayments, deposits and other receivables					
— Normal**	69,872	—	—	—	69,872
Contract assets*	—	—	—	79,928	79,928
Pledged deposits					
— Not yet past due	26,328	—	—	—	26,328
Cash and cash equivalents					
— Not yet past due	75,327	—	—	—	75,327
	177,429	—	—	142,413	319,842

* For accounts receivable and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrices is disclosed in notes 15 and 17 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure as at 31 March 2018

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and deposits and other receivables are disclosed in notes 15 and 16 to the financial statements, respectively.

Liquidity risk

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

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

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

2019	On demand HK$'000	Less than 12 months HK$'000	1 to 3 years HK$'000	Total HK$'000
Accounts payable	—	33,560	—	33,560
Financial liabilities included in other payables and accruals	56,833	1,600	—	58,433
Due to a non-controlling shareholder	1,500	—	—	1,500
Due to a related company	14	—	—	14
Interest-bearing bank borrowings	335	11,909	—	12,244
Convertible bonds	—	31,518	—	31,518
	58,682	78,587	—	137,269

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

2018	On demand HK$'000	Less than 12 months HK$'000	1 to 3 years HK$'000	Total HK$'000
Accounts payable	—	39,062	—	39,062
Financial liabilities included in other payables and accruals	49,361	2,567	—	51,928
Due to a non-controlling shareholder	1,500	—	—	1,500
Due to a related company	15	—	—	15
Interest-bearing bank borrowings	4,536	4,922	—	9,458
Convertible bonds	—	618	31,518	32,136
	55,412	47,169	31,518	134,099

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, other payables and accruals, amounts due to a non-controlling shareholder and a related company, interest-bearing bank borrowings and the liability component of convertible bonds, less pledged deposits and cash and cash equivalents. Capital represents equity attributable to owners of the Company.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

The gearing ratios as at the end of the reporting periods were as follows:

	2019 HK$'000	2018 HK$'000
Accounts payable	**33,560**	39,062
Other payables and accruals	**60,568**	69,719
Due to a non-controlling shareholder	**1,500**	1,500
Due to a related company	**14**	15
Interest-bearing bank borrowings	**12,100**	9,407
Liability component of convertible bonds	**31,346**	28,295
Less: Pledged deposits	**(26,328)**	(26,236)
Less: Cash and cash equivalents	**(75,327)**	(54,314)
Net debt	**37,433**	67,448
Capital	**110,322**	138,115
Total capital and net debt	**147,755**	205,563
Gearing ratio	**25%**	33%

39. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to a memorandum of understanding dated 21 February 2019 (the "**MOU**") and a sale and purchase agreement dated 12 April 2019 (the "**S&P Agreement**"), each of Deson Development Holdings Limited ("**DDHL**"), a wholly-owned subsidiary of Deson Development International Holdings Limited ("**DDIHL**") incorporated in the BVI, Sparta Assets Limited, a company incorporated in the BVI, and Mr. Tjia Boen Sien (collectively the "**Sellers**") has conditionally agreed to sell; and Energy Luck Limited, a company wholly-owned by Mr. Wong Kui Shing incorporated in the BVI, has conditionally agreed to buy the respective equity interest of the sellers in the Company comprising 361,302,082 shares of the Company at an aggregate consideration of approximately HK$79,486,000 (the "**Proposed Transaction**"). Further details of the Proposed Transaction are set out in the circular of DDIHL dated 24 May 2019.

During the year and up to the approval date of these financial statements, the Company is an associate of DDIHL which held a 31.18% equity interest in the Company indirectly through DDHL. Among the Sellers of the Proposed Transaction, DDHL would sell its entire equity interest in the Company comprising 311,769,867 shares at the consideration of approximately HK$68,589,000.

Among the conditions precedent to the completion of the Proposed Transaction in accordance with the terms of the S&P Agreement, DDIHL has obtained its shareholders' approval in a special general meeting on 11 June 2019 on entering into the S&P Agreement and the Proposed Transaction in relation to its equity interest in the Company, and has fulfilled such condition to the Proposed Transaction. Upon completion of the Proposed Transaction, the Company would no longer be an associate of DDIHL. The completion of the Proposed Transaction is expected to take place in next financial period.

39. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) As further set out in note 34 to the financial statements, on 11 March 2019, the Group entered into a sale and purchase agreement to acquire the entire equity interest in Simple Rise Inc. at a consideration of HK$19,500,000. The transaction is tentatively planned to complete in August 2019.

(c) On 18 April 2019, the convertible bond with a principal amount of HK$30,900,000 matured and was redeemed by the Company.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**60,287**	62,824
CURRENT ASSETS		
Cash and cash equivalents	**27**	339
CURRENT LIABILITIES		
Accruals	**698**	698
Derivative component of convertible bonds	**–**	2,470
Liability component of convertible bonds	**31,346**	–
Total current liabilities	**32,044**	3,168
NET CURRENT LIABILITY	**(32,017)**	(2,829)
TOTAL ASSETS LESS CURRENT LIABILITIES	**28,270**	59,995
NON-CURRENT LIABILITY		
Liability component of convertible bonds	**–**	28,295
Net assets	**28,270**	31,700
EQUITY		
Issued capital	**25,000**	25,000
Reserves (note)	**3,270**	6,700
Total equity	**28,270**	31,700

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	9,381	1,183	(5,338)	5,226
Profit for the year and total comprehensive income for the year	—	—	1,474	1,474
At 31 March 2018 and 1 April 2018	**9,381**	**1,183**	**(3,864)**	**6,700**
Loss for the year and total comprehensive loss for the year	**—**	**—**	**(3,430)**	**(3,430)**
Expiry of share options	**—**	**(1,183)**	**1,183**	**—**
At 31 March 2019	**9,381**	**—**	**(6,111)**	**3,270**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. During the year, the amount was transferred to accumulated losses as the related options expired.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2019.

Summary of Financial Information

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

RESULTS

	Years ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**645,835**	792,010	917,804	813,264	750,075
PROFIT/(LOSS) BEFORE TAX	**(19,808)**	29,647	68,808	11,505	(1,336)
Income tax credit/(expense)	**86**	(905)	(2,034)	840	(3,447)
PROFIT/(LOSS) FOR THE YEAR	**(19,722)**	28,742	66,774	12,345	(4,783)
Attributable to:					
Owners of the Company	**(14,917)**	38,831	65,535	10,856	(3,977)
Non-controlling interests	**(4,805)**	(10,089)	1,239	1,489	(806)
	(19,722)	28,742	66,774	12,345	(4,783)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**415,118**	403,172	371,349	267,908	190,922
Total liabilities	**(315,405)**	(267,831)	(268,818)	(232,002)	(162,664)
Non-controlling interests	**10,609**	2,774	(7,028)	(6,252)	(4,966)
	110,322	138,115	95,503	29,654	23,292