



迪臣建設國際集團有限公司

Deson Construction International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8268

INTERIM REPORT 2019

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

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*This report, for which the directors (the “**Directors**”) of Deson Construction International Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2019 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
REVENUE	4	180,309	180,080	306,957	357,120
Cost of sales		(169,127)	(173,968)	(290,002)	(349,180)
Gross profit		11,182	6,112	16,955	7,940
Other income and gains	4	626	2,665	957	2,893
Fair value gain on investment properties		—	—	—	108
Administrative expenses		(8,873)	(8,894)	(17,619)	(16,033)
Other operating income, net		153	259	165	259
Finance costs	6	(10)	(960)	(184)	(1,877)
PROFIT/(LOSS) BEFORE TAX	5	3,078	(818)	274	(6,710)
Income tax credit/(expense)	7	(775)	(14)	(775)	22
PROFIT/(LOSS) FOR THE PERIOD		2,303	(832)	(501)	(6,688)
Attributable to:					
Owners of the Company		1,904	(729)	(1,153)	(6,608)
Non-controlling interests		399	(103)	652	(80)
		2,303	(832)	(501)	(6,688)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8				
Basic		HK0.19 cent	HK(0.07) cent	HK(0.12) cent	HK(0.66) cent
Diluted		HK0.19 cent	HK(0.07) cent	HK(0.12) cent	HK(0.66) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	2,303	(832)	(501)	(6,688)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	214	(495)	379	(1,410)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	2,517	(1,327)	(122)	(8,098)
Attributable to:				
Owners of the Company	1,799	(1,275)	(1,329)	(8,149)
Non-controlling interests	718	(52)	1,207	51
	2,517	(1,327)	(122)	(8,098)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		41,674	22,593
Investment properties	10	9,120	19,520
Total non-current assets		50,794	42,113
CURRENT ASSETS			
Due from related companies		—	5,902
Accounts receivable	11	82,418	62,485
Prepayments, deposits and other receivables		36,144	101,472
Contract assets		82,003	79,928
Financial assets at fair value through profit or loss	12	18,816	21,533
Tax recoverable		—	30
Pledged deposits		17,055	26,328
Cash and cash equivalents		124,292	75,327
Assets of a disposal group classified as held for sale	13	10,404	—
Total current assets		371,132	373,005
CURRENT LIABILITIES			
Accounts payable	14	39,308	33,560
Other payables and accruals		60,927	60,568
Contract liabilities		205,906	173,640
Due to a non-controlling shareholder		1,500	1,500
Due to a related company		—	14
Tax payable		1,931	1,280
Liability component of convertible bonds	15	—	31,346
Interest-bearing bank borrowings		11,367	12,100
Liabilities directly associated with the assets classified as held for sale	13	17	—
Total current liabilities		320,956	314,008
NET CURRENT ASSETS		50,176	58,997
TOTAL ASSETS LESS CURRENT LIABILITIES		100,970	101,110

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2019

		30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
	Note		
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,380	1,397
Net assets		99,590	99,713
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	25,000	25,000
Reserves		83,992	85,322
		108,992	110,322
Non-controlling interests		(9,402)	(10,609)
Total equity		99,590	99,713

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company									Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium 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		
Restated balance at 1 April 2018	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 period	—	—	—	—	—	—	—	(6,608)	(6,608)	(80)	(6,688)
Other comprehensive income/(loss) for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	(1,541)	—	—	(1,541)	131	(1,410)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(1,541)	—	(6,608)	(8,149)	51	(8,098)
Release of revaluation reserve	—	—	—	(207)	—	—	—	207	—	—	—
At 30 September 2018	25,000	9,381	(5,372)	13,699	1,183	2,849	5,581	63,320	115,641	(6,049)	109,592
At 1 April 2019 (audited)	25,000	9,381*	(5,372)*	15,788*	—	3,543*	5,581*	56,401*	110,322	(10,609)	99,713
Loss/(profit) for the period	—	—	—	—	—	—	—	(1,153)	(1,153)	652	(501)
Other comprehensive income/(loss) for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	(176)	—	—	(176)	555	379
Total comprehensive income/(loss) for the period	—	—	—	—	—	(176)	—	(1,153)	(1,329)	1,207	(122)
Release of revaluation reserve	—	—	—	(230)	—	—	—	229	(1)	—	(1)
At 30 September 2019	25,000*	9,381*	(5,372)*	15,558*	—*	3,367*	5,581*	55,477*	108,992	(9,402)	99,590

* These reserve accounts comprise the consolidated reserves of HK\$83,992,000 (31 March 2019: HK\$85,322,000) in the condensed consolidated statement of financial position as at 30 September 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		274	(6,710)
Adjustments for:			
Finance costs	6	184	1,877
Interest income	4	(548)	(82)
Loss on disposal of items of property, plant and equipment	5	32	—
Fair value loss on financial assets at fair value through profit or loss	4	3,279	3,396
Fair value gain on investment properties	9	—	(108)
Reversal of impairment of accounts receivable	5	(185)	(259)
Depreciation	5	430	438
		3,466	(1,448)
Increase in contract assets		(3,099)	(26,489)
Decrease/(increase) in accounts receivable		(20,575)	(14,690)
Decrease/(increase) in financial assets at fair value through profit or loss		(562)	(3,310)
Decrease/(increase) in prepayments, deposits and other receivables		65,272	26,885
Increase/(decrease) in accounts payable		7,353	(9,625)
Increase in contract liabilities		33,607	—
Increase in other payables and accruals		193	25,307
Movement in balances with related companies, net		5,888	8
Cash generated from/(used in) operations		91,543	(3,362)
Interest paid		(12)	(733)
Overseas tax paid		(17)	(910)
Net cash flow from/(used in) operating activities		91,514	(5,005)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 September 2019

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	548	82
Purchases of items of property, plant and equipment	(19,555)	(14)
Purchase of investment properties	—	(18,800)
Proceeds from disposal of items of property, plant and equipment	8	—
Decrease/(increase) in pledged deposits	9,273	(41)
Net cash flows from/(used in) investing activities	(9,726)	(18,773)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of convertible bonds	(31,518)	—
New trust receipt loans	7,962	10,508
Repayment of trust receipt loans	(14,875)	(4,871)
Net cash flows from/(used in) financing activities	(38,431)	5,637
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	43,357	(18,141)
Cash and cash equivalents at beginning of period	74,992	49,778
Effect of foreign exchange rate changes, net	(570)	(1,292)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	117,779	30,345
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents stated in the condensed consolidated statement of financial position	124,292	35,162
Cash and cash equivalents of a disposal group classified as held for sale	2	—
Bank overdrafts, secured	(6,515)	(4,817)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	117,779	30,345

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and financial assets at fair value through profit or loss which have been measured at valuation or fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2019.

2. BASIS OF PREPARATION (Continued)

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 September 2019 are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 March 2019, except as described below:

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The application of the amendments to HKFRSs in the current period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2018: three) reportable operating segments as follows:

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

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

	(Unaudited) Three months ended 30 September 2019				(Unaudited) Six months ended 30 September 2019			
	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Property investment HK\$'000	Total HK\$'000	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment revenue:								
Income from external customers	180,763	(564)	112	180,309	309,986	(3,279)	250	306,957
Other income and gains	322	—	—	322	409	—	—	409
	181,085	(564)	112	180,631	310,395	(3,279)	250	307,366
Segment results								
Operating profit/(loss)	5,052	(564)	71	4,559	6,257	(3,279)	182	3,160
<i>Reconciliation:</i>								
Interest income				304				548
Unallocated expenses				(1,775)				(3,250)
Finance costs				(10)				(184)
Profit before tax				3,078				274
Other segment information:								
Reversal of impairment of accounts receivables	(185)	—	—	(185)	(185)	—	—	(185)
Loss on disposal of items of property, plant and equipment	32	—	—	32	32	—	—	32
Depreciation	238	—	—	238	430	—	—	430
	183,491	(920)	138	182,709	363,149	(3,396)	178	359,931
Segment revenue:								
Income from external customers	180,862	(920)	138	180,080	360,338	(3,396)	178	357,120
Other income and gains	2,629	—	—	2,629	2,811	—	—	2,811
	183,491	(920)	138	182,709	363,149	(3,396)	178	359,931
Segment results								
Operating profit/(loss)	1,945	(920)	113	1,138	600	(3,396)	200	(2,596)
<i>Reconciliation:</i>								
Interest income				36				82
Unallocated expenses				(1,032)				(2,319)
Finance costs				(960)				(1,877)
Loss before tax				(818)				(6,710)
Other segment information:								
Fair value gain on investment properties	—	—	—	—	—	—	(108)	(108)
Reversal of impairment of accounts receivables	(259)	—	—	(259)	(259)	—	—	(259)
Depreciation	175	—	—	175	438	—	—	438

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information of income from external customers

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Hong Kong	117,346	142,321	218,623	252,009
Mainland China	62,963	37,759	88,334	105,111
	180,309	180,080	306,957	357,120

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers				
Income from the construction contracting and related businesses	180,763	180,862	309,986	360,338
Revenue from other sources				
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	(564)	(920)	(3,279)	(3,396)
Rental income from property investment business	112	138	250	178
	180,309	180,080	306,957	357,120
Other income and gains				
Bank interest income	304	36	548	82
Others	322	2,629	409	2,811
	626	2,665	957	2,893

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	(Unaudited) Three months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2019 HK\$'000
Building construction works	46,396	83,732
Electrical and mechanical engineering works	36,753	54,214
Fitting-out works	97,614	172,040
	<hr/>	
Total revenue from contracts with customers transferred over time	180,763	309,986

For the period ended 30 September 2019, the revenue from contracts with customers of HK\$309,986,000 is the same as the amount of income from external customers under the construction business segment.

(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. PROFIT/(LOSS) BEFORE TAX

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

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Cost of construction contracting	169,127	173,968	290,002	349,180
Depreciation	238	175	430	438
Minimum lease payments under operating leases on land and buildings	843	660	1,701	1,331
Rental income on investment properties	(112)	(138)	(250)	(178)
Less: outgoings	11	3	20	3
Net rental income	(101)	(135)	(230)	(175)
Employee benefit expense (including directors' remuneration):				
Wages and salaries	7,739	7,931	15,480	15,199
Pension scheme contributions*	264	201	466	558
Less: Amount capitalised	(2,621)	(1,989)	(5,512)	(5,428)
	5,382	6,143	10,434	10,329
Directors' remuneration:				
Fee	239	150	389	300
Salaries and allowances	385	879	1,510	1,735
Pension scheme contribution	11	35	46	66
	635	1,064	1,945	2,101
Loss on disposal of items of property, plant and equipment [^]	32	—	32	—
Foreign exchange differences, net [^]	—	—	(12)	—
Reversal of impairment of accounts receivable [^]	(185)	(259)	(185)	(259)

* As at 30 September 2019, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2019: Nil).

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdraft	52	68	223	115
Interest on convertible bonds (note 15)	—	929	172	1,831
Less: Interest capitalised	(42)	(37)	(211)	(69)
	10	960	184	1,877

7. INCOME TAX

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2019 and 2018, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current — Hong Kong				
Charge for the period	775	—	775	—
Deferred	—	14	—	(22)
Total tax charge/(credit) for the period	775	14	775	(22)

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (30 September 2018: 1,000,000,000) in issue during the period.

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

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

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Earnings				
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	1,904	(729)	(1,153)	(6,608)
Interest on convertible bonds (note 6)	—	929	172	1,831
	<hr/>			
Profit/(loss) attributable to ordinary equity holders of the Company before the effect of convertible bonds	1,904	200*	(981)	(4,777)*
	<hr/>			

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

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2019	2018	2019	2018
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Effect of dilution				
— weighted average number of ordinary shares:				
Share options*	—	—	—	—*
Convertible bonds	—	103,000,000	—	103,000,000
	<u>1,000,000,000</u>	<u>1,103,000,000[#]</u>	<u>1,000,000,000</u>	<u>1,103,000,000[#]</u>

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

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

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

10. INVESTMENT PROPERTIES

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Carrying amount at beginning of period/year	19,520	—
Net gain from fair value adjustment	—	767
Addition (from acquisition)	—	18,753
Asset included in a disposal group (note 13)	10,400	—
	<hr/>	<hr/>
Carrying amount at end of period/year	9,120	19,520

As at 30 September 2019, the investment properties of the Group with a carrying amount of HK\$9,120,000 (31 March 2019: HK\$19,520,000) were leased to independent third parties.

11. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period granted to the customers ranges from 14 days to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

11. ACCOUNTS RECEIVABLE (Continued)

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:

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Current to 90 days	73,773	53,793
91 to 180 days	2,179	3,296
181 to 360 days	5,720	3,299
Over 360 days	746	2,097
	<hr/>	<hr/>
Total	82,418	62,485

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Listed equity investments and fund investments, at market value	18,816	21,533

The above investments at 30 September 2019 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$23,182,000.

13. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In October 2019, the Group has entered into a sale and purchase agreement with a third party to dispose the entire share capital of Rosy Beauty Investments Limited and its subsidiary Golden Kindex Limited (collectively “**the Disposal Group**”) which is principally engaged in property holding investment for a consideration of HK\$10,600,000.

As at 30 September 2019, the major classes of assets and liabilities of the Disposal Group classified as held for sale are as follows:

	(Unaudited) 30 September 2019 HK\$'000
Assets	
Investment properties	10,400
Prepayments, deposit and other receivables	2
Cash and cash equivalents	2
	<hr/>
Assets classified as held for sale	10,404
	<hr/>
Liabilities	
Deferred tax liabilities	(17)
	<hr/>
Liabilities directly associated with the assets classified as held for sale	(17)
	<hr/>
Net assets directly associated with the disposal group	10,387
	<hr/>

14. 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:

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Current to 90 days	17,970	5,426
91 to 180 days	2,051	10,187
181 to 360 days	5,422	525
Over 360 days	13,865	17,422
	<hr/> 39,308 <hr/>	<hr/> 33,560 <hr/>

Accounts payable are non-interest-bearing. The average credit period on purchase of goods is 30 days. The Group has financial risk management policies or plan for its payables with regard to the credit transfer.

15. 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. The convertible bonds was redeemed by the Company on 18 April 2019.

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

15. 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 2018	28,295	2,470	30,765
Interest paid	(618)	—	(618)
Interest expense	3,669	—	3,669
Fair value adjustment	—	(2,470)	(2,470)
	<hr/>		
At 31 March 2019 and 1 April 2019	31,346	—	31,346
Interest & principal paid	(31,518)	—	(31,518)
Interest expense	172	—	172
	<hr/>		
At 30 September 2019	—	—	—
	<hr/>		

The convertible bonds was redeemed by the Company on 18 April 2019.

16. SHARE CAPITAL

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000		
Authorised:				
4,000,000,000 ordinary shares of HK\$0.025 each	100,000	100,000		
	<hr/>			
Issued and fully paid:				
1,000,000,000 ordinary shares of HK\$0.025 each	25,000	25,000		
	<hr/>			
	Number of shares in issue	Share premium account HK\$'000	Total HK\$'000	
At 1 April 2019 and 30 September 2019	1,000,000,000	25,000	9,381	34,381
	<hr/>			

17. OPERATING LEASE ARRANGEMENTS

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

As at 30 September 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Within one year	1,684	552
In the second to fifth years, inclusive	91	98
	1,775	650

18. RELATED PARTY TRANSACTIONS

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

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Management fees received from a subsidiary of the Company's substantial shareholder	(i)	—	30	25	59
Rental expenses paid to a subsidiary of the Company's substantial shareholder	(ii)	—	429	627	858
Income from the construction contracting and related services received from an associate of the Company's substantial shareholder	(iii)	—	1,993	—	5,742
		—	1,993	—	5,742

18. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

- (i) The management fees received were charged with 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\$209,000 (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.

(b) Outstanding balances with related parties:

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

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

The key management personnel of the Group are the Directors of the Company. Details of their remuneration are disclosed in note 5 to the financial statements.

The related party transactions in respect of items (a)(i) and (ii) above also constitute continuing connected transactions and connected transactions as defined in Chapter 20 of the GEM Listing Rules. These transactions have ceased to be related party transactions, continuing connected transactions or connected transactions since 18 June 2019.

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Financial assets				
Financial assets at fair value through profit or loss				
Held for trading (note 12)	18,816	21,533	18,816	21,533
Financial liabilities				
Liability component of convertible bonds	—	31,346	—	31,462
	—	31,346	—	31,462

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

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

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.

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 September 2019

	(Unaudited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss	18,816	—	—	18,816

As at 31 March 2019

	(Audited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss	21,533	—	—	21,533

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

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 30 September 2019

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

As at 31 March 2019

	(Audited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative component of convertible bonds	—	—	31,462	31,462

During the Reporting Period, the convertible bonds were redeemed on 18 April 2019. (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

The Group's revenue for the six months ended 30 September 2019 recorded at approximately HK\$306,957,000 which represented a decrease of approximately 14% from approximately HK\$357,120,000 for the six months ended 30 September 2018. For the construction segment, revenue for the six months ended 30 September 2019 recorded at approximately HK\$309,986,000 which represented a decrease of approximately 14% from approximately HK\$360,338,000 for the six months ended 30 September 2018. For the investment in marketable securities segment, revenue for the six months ended 30 September 2019 recorded at a loss of approximately HK\$3,279,000 which represented a decrease of approximately 3% from a loss of approximately HK\$3,396,000 for the six months ended 30 September 2018. For the property investment segment, revenue for the six months ended 30 September 2019 recorded at approximately HK\$250,000 which represented an increase of approximately 40% from approximately HK\$178,000 for the six months ended 30 September 2018.

(i) Construction Segment

(a) *Building construction works:*

For the six months ended 30 September 2019, revenue recorded from this section amounted to approximately HK\$83,732,000 (six months ended 30 September 2018: HK\$75,188,000). The increase of approximately 11% was mainly due to the main contractor works for one residential redevelopment works including E&M works at Peak Road House A, Hong Kong which was commenced in January 2018 and additional revenue was recognised in the Reporting Period.

(b) Electrical and mechanical engineering works:

For the six months ended 30 September 2019, revenue recorded at this section amounted to approximately HK\$54,214,000 (six months ended 30 September 2018: HK\$94,725,000). The significant decrease by approximately 42.7% was due to the substantial completion of some projects before 31 March 2019 and therefore less revenue was recognised in the Reporting Period. These projects include: (i) school redevelopment projects at Robinson Road and Breezy Path, Hong Kong, (ii) interior renovation works for Sogo Department Store, Causeway Bay, Hong Kong, and (iii) several fire services contracts including maintenance and repair works for the fire services installations and emergency repair and replacement of existing fire services system.

(c) Fitting-out works:

For the six months ended 30 September 2019, revenue recorded at this section amounted to approximately HK\$172,040,000 (six months ended 30 September 2018: HK\$190,425,000). The decrease by approximately 10% was due to fitting-out work contract of a residential house at Henderson Road, Hong Kong which was almost completed in March 2019 and not much revenue recognised in the Reporting Period.

The above decrease was partly offset by the commencement of a fitting-out works at House A and House C at Stubbs Road, Hong Kong in April 2018 and January 2019 respectively which had generated more revenue in the Reporting Period.

(ii) Investment in Marketable Securities Segment

For the six months ended 30 September 2019, loss recorded from this segment amounted to approximately HK\$3,279,000 (six months ended 30 September 2018: HK\$3,396,000).

As at 30 September 2019, the Group managed a portfolio of listed equity investments and fund investments with fair value of approximately HK\$19 million (31 March 2019: HK\$22 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 and fund investments of approximately HK\$435,000 (six months ended 30 September 2018: HK\$3,360,000); (ii) a realised loss of approximately HK\$2,844,000 (six months ended 30 September 2018: HK\$36,000). Details of the marketable securities are disclosed under the section “**SIGNIFICANT INVESTMENTS**”.

(iii) Property Investment Segment

For the six months ended 30 September 2019, revenue recorded from this segment amounted to approximately HK\$250,000 (six months ended 30 September 2018: HK\$178,000). It was mainly attributable from rental income earned from the investment properties.

The Group's existing portfolio consists of commercial properties in Hong Kong which generate rental income. In view of the recent volatility in the property market, the Board will adopt cautious measures to manage the Group's portfolio.

In March 2019, the Group entered into a sale and purchase agreement with an independent third party to acquire the 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 in Wanchai, Hong Kong with saleable area of 1,220 square feet. The transaction was completed on 6 August 2019.

In October 2019, the Group entered into a sale and purchase agreement with a third party to dispose of the entire share capital of the Disposal Group which is principally engaged in property holding investment for a consideration of HK\$10,600,000. The property is located in Wanchai, Hong Kong with a saleable area of 681 square feet. Completion of the transaction is expected to take place on 22 November 2019. The Disposal Group was previously acquired in June 2018 at a consideration of HK\$10,300,000.

Due to (i) the increase in the revenue recorded from the building construction work caused by the main contractor works for one residential redevelopment works including E&M works at Peak Road House A, Hong Kong; and (ii) the improvement of the gross profit margin due to (a) loss incurred for the E&M works in last Reporting Period; and (b) additional profit deriving from the main contractor contracts for residential houses A and B including E&M works at Peak Road, Hong Kong., the net loss attributable to owners of the Company for the Reporting Period is approximately HK\$1,153,000 as compared with the net loss attributable to owners of the Company which amounted to approximately HK\$6,608,000 for the six months ended 30 September 2018.

Status of the legal case

As announced in the announcement of the Company dated 21 December 2017, the Group has reported to the Beijing Public Security Bureau a suspected case of internet fraud which involved fraudulent transfers of funds of approximately HK\$22 million (approximately RMB19 million) from the bank account of Beijing Chang-De Architectural Decoration Co., Limited, a 60% owned subsidiary (the "**Beijing Chang-De**"). The matter is currently under the investigation of the Beijing Public Security Bureau. The Group has instructed its legal advisers in Mainland China to issue a letter to seek damages from

the PRC bank involved for failure to notify Beijing Chang-De of the irregular internet banking transactions or preventing further payments to be made online, as required under the relevant banking rules and regulations under the PRC laws. As at the date of this report, we are unable to ascertain the recoverability of the funds transferred.

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

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 six months ended 30 September 2019, the Group's revenue amounted to approximately HK\$307 million, decreased by approximately 14% as compared to the last period. The decrease in revenue was mainly due to the decrease in revenue arising from the projects of E&M works and fitting out works.

Gross profit margin

Our gross profit increased by approximately HK\$9.1 million or 115%, from approximately HK\$7.9 million for the six months ended 30 September 2018 to approximately HK\$17.0 million for the six months ended 30 September 2019.

During the six months ended 30 September 2019, the gross profit margin was approximately 5.5%, improved by approximately 3.3% as compared to last period's 2.2%. The improvement of gross profit margin was mainly due to (i) loss incurred for the E&M works in the last reporting period; and (ii) additional profit deriving from the main contractor contracts for residential houses A and B including E&M works at Peak Road, Hong Kong. House B main contract is a joint venture contract (through an unincorporated corporation) with a reputable contractor company in Hong Kong, where the Group has shareholding interest of 30%.

After excluding the portion generated from the investment in marketable securities segment and the property investment segment, the gross profit margin for this Reporting Period was approximately 6.5%, up by approximately 3.5% as compared to last period's 3%.

Other income

Other income decreased by approximately HK\$1,936,000 or 67% from approximately HK\$2,893,000 for the six months ended 30 September 2018 to approximately HK\$957,000 for the six months ended 30 September 2019. The decrease was mainly due to a bad debt recovery from a winding up company recorded in the last reporting period.

Administrative expenses

Administrative expenses increased by approximately HK\$1.6 million or 10% from approximately HK\$16.0 million for the six months ended 30 September 2018 to approximately HK\$17.6 million for the six months ended 30 September 2019. The increase was mainly because of the increase in operating lease rentals for land and buildings.

Finance costs

Finance costs decreased by approximately HK\$1.7 million or 89% from approximately HK\$1.9 million for the six months ended 30 September 2018 to approximately HK\$0.2 million for the six months ended 30 September 2019. The decrease was mainly due to the maturity of the convertible bonds in April 2019.

Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

Liquidity and financial resources

The Group continued to maintain a suitable liquid position. As at 30 September 2019, the Group had cash and cash equivalents of HK\$124,292,000 (31 March 2019: HK\$75,327,000) mainly in Hong Kong dollars and Renminbi. As at 30 September 2019, the Group had total assets of HK\$421,926,000 (31 March 2019: HK\$415,118,000). The Group's current ratio as at 30 September 2019 was 1.16 compared to 1.19 as at 31 March 2019.

As at 30 September 2019, the gearing ratio for the Group is 1% (31 March 2019: 1%). It was calculated based on the non-current liabilities of HK\$1,380,000 (31 March 2019: HK\$1,397,000) and long term capital (equity and non-current liabilities) of HK\$100,987,000 (31 March 2019: HK\$101,110,000).

Capital expenditure

The Group's total capital expenditure for the six months ended 30 September 2019 was approximately HK\$19,555,000, which was mainly used in the purchase of property, plant and equipment.

Contingent liabilities

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

Commitments

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

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK\$21,299,000 (31 March 2019: HK\$21,600,000); and
- (ii) the pledge of the Group's deposits of HK\$17,055,000 (31 March 2019: HK\$26,328,000).

Treasury policies

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

Exchange risk exposure

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

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

Capital structure of the Group

There is no change in capital structure of the Group during the period ended 30 September 2019.

PROSPECT

(i) Construction Business

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

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

During the Reporting Period, new projects such as the quadrennial term contract for maintenance of fire services installations for the Drainage Services Department, electrical and fire services installations for the construction of two 30-classroom primary schools at Queen’s Hill, Fanling, replacement of fire services system at Cheung Tsing Tunnel, term contract for building services installation works for SOGO Department Store for 2 years, Hong Kong; fitting-out works for a factory at Beijing, the PRC were secured. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,573 million.

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

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

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

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

(ii) Investment in Securities Business

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

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

In view of the recent 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 2019, the Group has entered into a 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 in Wanchai, Hong Kong with a saleable area of 1,220 square feet. The transaction was completed on 6 August 2019.

In October 2019, the Group has entered into another sale and purchase agreement with a third party to dispose of the entire share capital of the Disposal Group which is principally engaged in property holding investment for a consideration of HK\$10,600,000. The property is located in Wanchai, Hong Kong with a saleable area of 681 square feet. Completion of the transaction is expected to take place on 22 November 2019. The Disposal Group was previously acquired in June 2018 at a consideration of HK\$10,300,000.

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

SIGNIFICANT INVESTMENTS

As at 30 September 2019, The Group held approximately HK\$18.8 million financial assets at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock/fund 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 %
Listed equity investments							
Hands Form Holdings Limited	1	1920	Cayman Islands	(757.0)	4,501.2	23.9	4.52
Eternity Technology Holdings Limited	2	1725	Cayman Islands	111.4	3,420.0	18.2	3.43
EJE (Hong Kong) Holdings Limited	3	8101	Cayman Islands	261.3	2,162.9	11.5	2.17
Individual investments less than 1% of net assets the Group				4.7	788.0	4.2	0.79
				(379.6)	10,872.1	57.8	10.91
Fund investments							
JPMorgan Asian Total Return Bond (Mth)	4	HK0000102936	Hong Kong	(56.1)	3,943.9	21.0	3.96
AB FCP I — American Income Portfolio (At USD)	5	LU0157308031	Luxembourg	0.0	4,000.0	21.3	4.02
				(56.1)	7,943.9	42.2	7.98
				(435.7)	18,816.0	100.0	18.89

Notes:

- Hands Form Holdings Limited is principally engaged in the provision of wet trades works (including plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works) and other wet trades related ancillary 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\$92,306,000 as at 30 June 2019.

2. Eternity Technology Holdings Limited is principally engaged in the business of electronics 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 RMB227,074,000 as at 30 June 2019.
3. EJE (Hong Kong) Holdings Limited is principally engaged (i) manufacture of custom-made furniture; (ii) property investment; (iii) securities investment; (iv) money lending; and (v) the design, manufacture and sale of mattress and soft bed products. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$313,090,000 as at 31 March 2019.
4. The investment objective of the fund is to achieve a competitive total return, consisting of capital growth and regular dividend income, through an actively managed portfolio investing primarily in Asian bonds and other debt securities.
5. The portfolio seeks to provide a high level of current income consistent with preservation of capital by investing in a diversified portfolio of U.S. dollar-denominated fixed income securities. The portfolio invests solely in U.S. dollar-denominated fixed income securities, including investment grade and high yield, non-investment grade securities of issuers domiciled within and outside the U.S.

During the six months ended 30 September 2019, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$22.0 million and loss recognised in revenue for the amount of HK\$2.8 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised loss HK\$'000
Shun Wo Group Holdings Limited	1591	Cayman Islands	1,625	(669)
Wang Yang Holdings Limited	1735	Cayman Islands	7,224	(1,233)
EJE (Hong Kong) Holdings Limited	8101	Cayman Islands	5,068	(836)
Investments with individual realised gain/(loss) less than HK\$500,000			8,205	(106)
			<u>22,122</u>	<u>(2,844)</u>

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this report, our Group did not have other plans for material investment or capital assets as at 30 September 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Except for the acquisition of the investment properties in March 2019 which was completed on 6 August 2019 and the disposal of the Disposal Group in October 2019, both of which were described under the sub-section headed “**Property Investment Business**” in the section headed “**Prospect**” on page 35 of this report, during the six months ended 30 September 2019, there were no material acquisitions and disposals of subsidiaries and affiliated companies by our Group.

HUMAN RESOURCES

As at 30 September 2019, the Group had 95 employees, 31 of whom were based in the PRC. The total employee benefit expenses including directors’ emoluments for the six months ended 30 September 2019 amounted to approximately HK\$15.9 million as compared to approximately HK\$15.8 million for the same period in 2018, the increase was mainly due to the increment of salary under the yearly review in the current period.

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the “**Scheme**”) on 11 August 2015, the Company adopted the Scheme. Under the terms of the Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. The Scheme became effective on 10 August 2015 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Company had 80,000,000 share options available for issue under the Scheme, which represented approximately 8% of the issued shares of the Company as at 30 September 2019.

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

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

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

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

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

No share option has been granted during the Reporting Period and there was no share option outstanding as at 30 September 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 30 September 2019, the interests and short positions of the each of the Directors and the chief executive in shares, underlying shares or debentures of the Company or any associated corporation (within in the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Number of ordinary shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Mr. Kwok Koon Keung (Note)	500	—	500	0.00%
Mr. Ong Chi King (Note)	8,802,000	—	8,802,000	0.88%

Note: Each of Mr. Kwok Koon Keung and Mr. Ong Chi King has resigned as an executive Director of the Company on 29 July 2019.

As at 30 September 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 30 September 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 30 September 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
Energy Luck Limited	Beneficial owner	361,302,082	36.13%
Mr. Wong Kui Shing, Danny	Interest in controlled corporation (Note)	361,302,082	36.13%

Note: Energy Luck Limited is a company incorporated in the BVI and is wholly owned by Mr. Wong Kui Shing, Danny. By virtue of the SFO, Mr. Wong Kui Shing, Danny is deemed to be interested in the shares beneficially owned by Energy Luck Limited.

Save as disclosed above, as at the 30 September 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 CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

During the Reporting Period, the changes in the information of the Directors and chief executives of the Company as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are as follows:-

- (i) Mr. Hung Kenneth appointed as an executive Director with effect from 29 July 2019;
- (ii) Ms. Lau Po Yee appointed as an executive Director with effect from 29 July 2019;
- (iii) Mr. Wong Yuk Lun Alan appointed as an independent non-executive Director of the Company with effect from 29 July 2019;
- (iv) Mr. Lam Wai Hung appointed as an independent non-executive Director with effect from 29 July 2019;
- (v) Ms. Au Shui Ming Anna appointed as an independent non-executive Director with effect from 29 July 2019;
- (vi) Mr. Keung Kwok Cheung ("**Mr. Keung**") resigned as an executive Director, the chief executive officer with effect from 29 July 2019. Mr. Keung remains as a director in the operating subsidiaries of the Group;

- (vii) Mr. Kwok Koon Keung (“**Mr. Kwok**”) resigned as an executive Director and the chief executive officer of the Company with effect from 29 July 2019. Mr. Kwok remains as a director in the operating subsidiaries of the Group;
- (viii) Mr. Lo Wing Ling (“**Mr. Lo**”) resigned as an executive Director with effect from 29 July 2019. Mr. Lo remains as a director in the operating subsidiaries of the Group;
- (ix) Mr. Ong Chi King (“**Mr. Ong**”) resigned as an executive Director with effect from 29 July 2019. Mr. Ong remains as a director in the operating subsidiaries of the Group;
- (x) Mr. Tjia Boen Sien (“**Mr. Tjia**”) resigned as a non-executive Director with effect from 29 July 2019;
- (xi) Mr. Ong King Keung resigned as a non-executive Director with effect from 29 July 2019;
- (xii) Mr. Lee Tho Siem resigned as an independent non-executive Director, with effect from 29 July 2019;
- (xiii) Mr. Cheung Ting Kee resigned as an independent non-executive Director with effect from 29 July 2019; and
- (xiv) Mr. Chan Ka Yin resigned as an independent non-executive Director with effect from 29 July 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial control, internal control and risk management systems of the Group, and to provide advice and comments on the Group's financial reporting matters to the Board. As at the date of this report, the audit committee comprises three independent non-executive Directors, namely Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna (the "**Audit Committee Members**").

The unaudited interim results of the Company for the six month ended 30 September 2019 have been reviewed by the Audit Committee Members who have provided advice and comments thereon.

EVENT AFTER THE REPORTING PERIOD

Except for the disposal of the Disposal Group in October 2019, which was described under the sub-section headed "**Property Investment Business**" in the section headed "**Prospect**" on page 35 of this report, the Board is not aware of any material event after the end of the Reporting Period and up to the date of this report that requires disclosure.

By order of the Board
Deson Construction International Holdings Limited
Hung Kenneth
Executive Director

Hong Kong, 8 November 2019

As at the date of this report, the Board of Directors of the Company comprises Mr. Hung Kenneth and Ms. Lau Po Yee as executive Directors; Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna as independent non-executive Directors.