
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Deson Development International Holdings Limited**, you should at once hand this circular together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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DESON DEVELOPMENT INTERNATIONAL HOLDINGS LIMITED

迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PLACING OF
SHARES IN DESON CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING**

A letter from the Board is set out on pages 4 to 12 of this circular.

A notice convening the SGM of the Company to be held at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Monday, 13 March 2017 at 10:30 a.m. or any adjourned meeting thereof is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use by the Shareholders of the Company at the SGM is enclosed herein.

Whether or not you are able or intend to attend the SGM, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

* *For identification purpose only*

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement made by the Company on 12 January 2017 in relation to the Placing
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than Saturday(s), Sunday(s) or public holiday(s)) in Hong Kong on which licensed banks in Hong Kong are open generally for normal banking business
“BVI”	the British Virgin Islands
“close associate(s)”	has the meaning ascribed to it in the Listing Rules
“Company”	Deson Development International Holdings Limited 迪臣發展國際集團有限公司*, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 262)
“Completion”	the completion of the Placing pursuant to the Placing Agreement
“Completion Date”	the date of Completion, which shall take place on or before 5:00 p.m. on the tenth Business Day after the fulfilment or waiver of the conditions precedent under the Placing Agreement
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Deson Construction”	Deson Construction International Holdings Limited 迪臣建設國際集團有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 18 July 2014, the shares of which are listed on GEM of the Stock Exchange (Stock code: 8268), which is a subsidiary of the Company as at the Latest Practicable Date
“Deson Construction Group”	Deson Construction and its subsidiaries

* For identification purpose only

DEFINITIONS

“Deson Construction Share(s)”	the ordinary share(s) of HK\$0.025 each in the share capital of Deson Construction
“Directors”	directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	21 February 2017, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“Main Board”	the main board of the Stock Exchange
“Placing(s)”	the placing(s) by the Placing Agent on behalf of the Vendor of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Get Nice Securities Limited, a licensed corporation to carry business Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 11 January 2017 entered into between the Vendor and the Placing Agent in relation to the Placing(s)
“Placing Price”	HK\$0.30 per Placing Share
“Placing Share(s)”	up to 200,000,000 Deson Construction Shares currently held by the Vendor, representing 20% of the total issued share capital of Deson Construction as at the date of the Announcement and the Latest Practicable Date

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Remaining Group”	the Group other than the equity interest in Deson Construction Group which will be reduced from approximately 51.18% to 31.18% immediately after Completion
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Shareholders to be held by the Company at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Monday, 13 March 2017 at 10:30 a.m. or any adjourned meeting the details of which are set out on pages SGM-1 to SGM-2 of this circular
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sparta”	Sparta Assets Limited, a company incorporated in BVI and wholly owned by Mr. Tjia Boen Sien, an executive Director of the Company
“sq. metres”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules and the GEM Listing Rules, as the case may be
“Takeovers Code”	the Code on Takeovers and Mergers issued by SFC
“Vendor” or “DDHL”	Deson Development Holdings Limited, an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of the Company
“%”	per cent

LETTER FROM THE BOARD



DESON DEVELOPMENT INTERNATIONAL HOLDINGS LIMITED

迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

Executive Directors:

Mr. Lu Quanzhang
Mr. Tjia Boen Sien
Mr. Wang Jing Ning
Mr. Tjia Wai Yip, William

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Independent non-executive Directors:

Dr. Ho Chung Tai, Raymond
Ir Siu Man Po
Mr. Siu Kam Chau

*Head office and principal
place of business in Hong Kong:*

11th Floor, Nanyang Plaza
57 Hung To Road
Kwun Tong
Kowloon
Hong Kong

24 February 2017

To the Shareholders

Dear Sirs,

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PLACING OF
SHARES IN DESON CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to the Placing.

On 11 January 2017 (after trading hours), the Vendor, being a direct wholly-owned subsidiary of the Company, entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best efforts basis, during the period commencing from the fulfilment or waiver of the conditions precedent as set out in the Placing Agreement until the Completion Date, up to 200,000,000 Placing Shares on behalf of the Vendor to independent placees.

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LETTER FROM THE BOARD

Deson Construction is an investment holding company. The principal activities of its subsidiaries as at the Latest Practicable Date are: (i) construction business as a main contractor, fitting-out works and the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau and other construction related business; and (ii) investment in securities. Upon Completion and assuming the Placing Shares are fully placed and no new Deson Construction Shares are allotted and issued and repurchased after the Latest Practicable Date and up to the Completion, the Company will be interested in 311,769,868 Deson Construction Shares (representing approximately 31.18% of the existing issued share capital of Deson Construction) and the Deson Construction Group will cease to be subsidiaries of the Vendor and the Company and the results, assets and liabilities of the Deson Construction Group will cease to be consolidated into the accounts of the Group. The Company will classify the interest in Deson Construction as an investment in associate, which will be initially recognised at fair value and accounted for using the equity method subsequently.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in relation to the Placing exceed(s) 75%, the Placing will constitute a very substantial disposal of the Company under the Listing Rules and is therefore subject to reporting, announcement, circular and shareholders' approval in accordance with Chapter 14 of the Listing Rules. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders shall abstain from voting in respect of the resolution approving the Placing Agreement.

The purpose of this circular is to provide you with, among other things, (i) the details of the Placing Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the financial information of the Deson Construction Group; (iv) the unaudited pro forma financial information of the Remaining Group; and (v) the notice of SGM.

THE PLACING AGREEMENT

- Date:** 11 January 2017
- Parties:**
1. the Placing Agent
 2. the Vendor

As at the Latest Practicable Date, the Directors confirmed that, to the best of their knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its beneficial owner(s) are independent of the Company and its connected persons.

Placing(s)

Pursuant to the Placing Agreement, the Placing Agent has agreed to place, on a best efforts basis, during the period commencing from the fulfilment or waiver of the conditions precedent as set out in the Placing Agreement until the Completion Date, up to 200,000,000 Placing Shares on behalf of the Vendor to independent placees. There is no restriction on the minimum or maximum number of placees under the Placing Agreement. The placees for the

LETTER FROM THE BOARD

Placing(s) and their ultimate respective beneficial owners will be institutional, corporate or individual investors who are independent of (i) the Company and Deson Construction, their respective associates and party(ies) acting in concert and their respective subsidiaries; and (ii) any director, chief executive or substantial shareholder of the Company and Deson Construction or any of their subsidiaries or any of their respective associates. As at the Latest Practicable Date, the Placing Agent had not commenced negotiations with potential placees.

Pursuant to the Placing Agreement, the Placing Agent shall receive a placing commission for the Placing(s) in an amount equal to 1.5% of the aggregate Placing Price on the number of the Placing Shares placed, which commission shall be deducted from the proceeds of the Placing on the Completion Date.

The placing commission was arrived at after arm's length negotiations between the Vendor and the Placing Agent.

Placing Shares

The Placing Shares in aggregate represented 20% of the total issued share capital of Deson Construction as at the Latest Practicable Date. The total consideration for the Placing Shares amounted to HK\$60 million, which was arrived at after arm's length negotiation between the Vendor and the Placing Agent.

Placing Price

Pursuant to the Placing Agreement, the Placing Agent has agreed to place, on a best efforts basis, during the period commencing from the fulfilment or waiver of the conditions precedent as set out in the Placing Agreement until the Completion Date, up to 200,000,000 Placing Shares on behalf of the Vendor at the Placing Price.

The Placing Price per Placing Share represents:

- (i) a premium of approximately 3.45% to the closing price of the Deson Construction Shares on the Stock Exchange on the date of the Placing Agreement of HK\$0.29 per Deson Construction Share;
- (ii) a premium of approximately 3.81% to the five-day average closing price of the Deson Construction Shares on the Stock Exchange immediately before and including the date of the Placing Agreement of approximately HK\$0.289 per Deson Construction Share;
- (iii) a premium of approximately 0.50% to the ten-day average closing price of the Deson Construction Shares on the Stock Exchange immediately before and including the date of the Placing Agreement of approximately HK\$0.2985 per Deson Construction Share;

LETTER FROM THE BOARD

- (iv) a premium of approximately 264% over the unaudited consolidated net asset value of Deson Construction Group as at 30 September 2016 of approximately HK\$0.08 per Deson Construction Share (based on the unaudited consolidated net assets value of the Deson Construction Group as at 30 September 2016 of approximately HK\$82,418,000 and the number of total issued shares of 1,000,000,000 as at the Latest Practicable Date); and
- (v) a premium of approximately 5.26% to the closing price of the Deson Construction Shares on the Stock Exchange on the Latest Practicable Date of HK\$0.285 per Deson Construction Share.

The Placing Price was determined after arm's length negotiation between the Vendor and the Placing Agent.

Conditions precedent

Completion of the Placing is subject to and conditional upon the following conditions precedent:

- (i) the compliance of the requirements under the Listing Rules, the GEM Listing Rules, the Takeovers Code (if any) or otherwise as may be required by the Stock Exchange and the SFC in relation to the Placing; and
- (ii) the Shareholders' approval at a special general meeting of the Company approving the disposal of the Placing Shares under the Placing Agreement and the transactions contemplated thereunder having been obtained in accordance with the requirements of the Listing Rules or any other applicable laws or regulations.

If the conditions set out above are not fulfilled or waived on or prior to 30 April 2017 or such other date as may be agreed between the Vendor and the Placing Agent, the Placing Agreement shall terminate and in which case, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against the other in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

Completion

Subject to the satisfaction of the conditions precedent and other terms and conditions of the Placing Agreement, completion of the Placing shall take place on the Completion Date.

INFORMATION OF DESON CONSTRUCTION

Deson Construction is an investment holding company. The principal activities of its subsidiaries as at the Latest Practicable Date are: (i) construction business as a main contractor, fitting-out works and the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau and other construction related business; and (ii) investment in securities.

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FINANCIAL INFORMATION OF DESON CONSTRUCTION

As disclosed in the interim report of Deson Construction for the six months ended 30 September 2016, the unaudited consolidated net asset value of the Deson Construction Group as at 30 September 2016 was approximately HK\$82,418,000.

As disclosed in the annual report of Deson Construction for the year ended 31 March 2016, set out below is the audited net profit or loss before and after tax of the Deson Construction Group for the two financial years ended 31 March 2015 and 2016, respectively:

	For the year ended 31 March	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before tax	11,505	(1,336)
Profit/(loss) for the year	12,345	(4,783)

FINANCIAL EFFECT OF THE PLACING(S)

Upon Completion and assuming the Placing Shares are fully placed and no new Deson Construction Shares are allotted and issued and repurchased after the Latest Practicable Date and up to the Completion, the Company will retain and be interested in 311,769,868 Deson Construction Shares (representing approximately 31.18% of the existing issued share capital of Deson Construction) and the Deson Construction Group will cease to be subsidiaries of the Vendor and the Company and the results, assets and liabilities of the Deson Construction Group will cease to be consolidated into the accounts of the Company. The Company will classify the interest in Deson Construction as an investment in associate, which will be initially recognised at fair value and accounted for using the equity method subsequently. However, there will be no change in the members of the boards of directors and senior management of the Group or the Deson Construction Group upon completion of the Placing.

As at the Latest Practicable Date, the Company had no current intention or plan to further dispose any of its Deson Construction Shares held by DDHL upon completion of the Placing. The Company will make the necessary announcement and comply with the relevant requirements of the Listing Rules if there is any further change to its current intention or plan.

It is expected that the Company will record a gain on the disposal arising from the Placing of approximately HK\$106 million (subject to audit and before expenses and taxes), which is calculated based on the difference between the gross proceeds of the Placing, the unaudited consolidated net asset value, the exchange fluctuation reserve and the value of non-controlling interests of the Deson Construction Group as of 30 September 2016 as well as with reference to the closing price of Deson Construction Shares as at 30 September 2016.

Shareholders should note that the exact amount of the gain on the disposal arising from the Placing to be recorded in the consolidated statement of profit or loss of the Group for the year ending 31 March 2017 is subject to audit, and will be calculated based on the net

LETTER FROM THE BOARD

asset value, exchange fluctuation reserve and value of non-controlling interests in the Deson Construction Group as at Completion and net of any incidental expenses and therefore may vary from the figures provided above.

USE OF PROCEEDS FROM THE PLACING(S)

As at 31 December 2016, the Remaining Group had cash and cash equivalents (including pledged deposit) of approximately HK\$534,190,000, of which a sum of approximately HK\$530,614,000 was pledged and the remaining sum of approximately HK\$3,576,000 was unpledged. Assuming the placing in full of the Placing Shares based on the Placing Price, the gross proceeds from the placing of the Placing Shares will be HK\$60 million. The Directors expect that the net proceeds from the Placing will be not less than approximately HK\$57.7 million (assuming the placing in full of the Placing Shares based on the Placing Price). The net proceeds from the Placing will be applied for (i) the immediate utilisation for the Group's development of a residential and commercial complex in the Long Ting district of the city of Kaifeng, the PRC, which is expected to be launched to the market by end of 2017, as to HK\$33 million; (ii) the monthly instalment repayment of an existing bank borrowing in the PRC as to HK\$15 million; and (iii) the remaining amount as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE PLACING(S)

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of (i) property development and investment; (ii) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products stone slabs and products of construction market; (iii) the construction business, as a main contractor and decoration, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau; and (iv) investment in securities.

As at the Latest Practicable Date, the Company, through the Vendor, owned a total of 511,769,868 Deson Construction Shares, representing approximately 51.18% of the total issued share capital of Deson Construction. The Board is optimistic about the property market in the Mainland China in the long run and the Group intends to continue to place emphasis on strengthening its property development and investment business. The Directors consider that (i) the gross profit margins of sale of properties and property investment in the PRC are generally higher than that of the construction business engaged by the Deson Construction Group; and (ii) the PRC property market has slowed down recently. Although the cash and cash equivalents of the Remaining Group as at 31 December 2016 amounted to approximately HK\$534,190,000, over 99% of them are pledged and reserved for repayment for certain existing bank loans in the PRC. Before entering into the Placing Agreement, the Group has negotiated with a number of banks in Hong Kong and the PRC but was unable to obtain any additional bank borrowings due to, among other reasons, (i) the relevant Group's development project in Kaifeng is not located in a first tier city in the PRC; and (ii) the Group's existing properties and deposits have already been pledged for existing bank borrowings. For those banks that may consider possible borrowings, their review and approval process may be long. In the event that the Placing is not proceeded and completed, the Directors will resume negotiations with the banks or other financial institutions for

LETTER FROM THE BOARD

possible borrowings to raise funds. Given that the Group is expected to commence sale of property within one year after completion of the development and generate proceeds, our Directors consider that, should the Placing is not proceeded and completed, borrowings from banks or other financial institutions which are expected to be subject to high interest rates, may still be beneficial to the Group's overall financial position and in the long run and enable the Group to continue with its business development. If the Group is unable to obtain any additional borrowings at all, in the absence of any unforeseeable circumstances and after taking into account the internal financial resources, the cash flows to be generated from the operating activities and the available banking facilities, the Directors consider the Group has sufficient working capital for its present requirements and for the period up to twelve months from the date of this circular. Nonetheless, it may have to slow down the progress of the relevant development project in Kaifeng, the PRC. In view of the above, the Board believes that the Placing is beneficial to the Group to generate funds for the Group's development of and investment in properties in the PRC. Having considered the fact that the Company has completed two equity fundraisings in the last two years, being the open offer in January 2016 and placing of new Shares under general mandate in February 2015, any further secondary equity fundraisings will not be at an attractive price and may create a negative image of the Company in the market. The Directors also consider that any further equity fundraising may not be in the interests of the Shareholders due to the possible dilution of their shareholding and additional capital injection by the Shareholders.

At the same time, it is challenging for the Group to raise further bank borrowings in the current economic condition. The Company has approached banks in Hong Kong and the PRC but given the Group's properties and deposits have been pledged for the existing borrowings, it is difficult for the Company to obtain further bank borrowings. In view of the higher interest rate under a recent loan agreement entered into by the Group in January 2017 as compared to that of the previous loans, our Directors believe that even if additional bank borrowings can be obtained, the finance costs would be high. The Directors were of the opinion that the Group would have sufficient working capital for a period up to October 2017 at the time when the Company entered into a shareholders' agreement in September 2016 which constituted a major transaction under the Listing Rules. However, given that (i) the Group was unable to renew an existing bank loan in the PRC with a principal amount of RMB15 million at the end of October 2016 and was required to settle the outstanding loan by monthly instalment repayment; (ii) the depreciation of RMB since the fourth quarter of 2016 which has weakened the revenue of the Group; and (iii) the scheduled repayment of other bank loans in the PRC with a total principal amount of RMB54 million in the first quarter of 2018, the Group will require more cash for its operations after October 2017. Moreover, although the Deson Construction Group maintained a good cash balance and was profitable as at 31 December 2016, the Company as the holding company of Deson Construction owning approximately 51.18% of its existing issued share capital as at the Latest Practicable Date, is unable to realise its investment in Deson Construction into cash for the Group's business development and operations. In the circumstances, the Directors consider that the Placing pursuant to the Placing Agreement represents a good opportunity to generate funds for the Group for better utilisation of the Group's resources to (i) fund its property development project in the Long Ting district of the city of Kaifeng, the PRC, which is capital intensive and is expected to complete by end of 2017; (ii) increase the Group's investment in properties in the PRC; and (iii) reduce its existing bank borrowings in order to save finance costs. The PRC's economy and the PRC property market have recently

LETTER FROM THE BOARD

slowed down, and there may be possible tightening policies in relation to the PRC property development industry. The Directors are of the view that the Placing can improve the cash flows of the Remaining Group which offers the Remaining Group a greater flexibility to cope with any challenge or capture business opportunity if market condition changes. As at the Latest Practicable Date, the Group did not have any concrete plan in response to any possible challenges or opportunities should the market environment vary. However, the Board will monitor the market development closely and make appropriate response from time to time.

Having regard to the benefits from the Placing and the expected gain on the disposal arising from the Placing as stated above, the Directors (including the independent non-executive Directors) consider that the terms of the Placing and the Placing Agreement are fair and reasonable and the Placing is on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

IMPLICATION OF THE LISTING RULES

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in relation to the Placing exceed(s) 75%, the Placing will constitute a very substantial disposal of the Company and is therefore subject to reporting, announcement, circular and shareholders' approval in accordance with Chapter 14 of the Listing Rules.

None of the Directors has a material interest in the Placing Agreement and the transactions contemplated therein. Accordingly, no Director is required to abstain from voting on the relevant Board resolutions of the Company in respect of the approval of the Placing Agreement and the transactions contemplated thereunder.

The Company will convene the SGM to seek, among other things, the approval of the Shareholders for the Placing Agreement and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Placing Agreement and the transactions contemplated thereunder and no Shareholder will be required to abstain from voting on the resolutions to be proposed at the SGM.

SGM

The SGM will be convened and held at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Monday, 13 March 2017 at 10:30 a.m. to consider and, if thought fit, approve the Placing Agreement and the transactions contemplated thereunder. A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event

LETTER FROM THE BOARD

not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or adjournment thereof should you so wish.

VOTING BY POLL AT SGM

Pursuant to the Rule 13.39(4) of the Listing Rules, any votes of shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith and in compliance with the Listing Rules, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, pursuant to Bye-Law 69, each resolution set out in the notice to the SGM which is put to vote at the SGM shall be decided by poll. The Company will appoint scrutineers to handle vote-taking procedures at the SGM. The results of the poll will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.deson.com as soon as possible after the conclusion of the SGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the terms of the Placing Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all the Shareholders to vote in favour of the resolutions approving the Placing Agreement and the transactions contemplated thereunder at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Deson Development International Holdings Limited
Tjia Boen Sien
Managing Director and Deputy Chairman

1. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 MARCH 2014, 2015 AND 2016 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Details of the published financial information of the Group for each of the three years ended 31 March 2014, 2015 and 2016 are disclosed in the annual reports of the Company for the years ended 31 March 2014, 2015 and 2016, respectively. Details of these financial statements have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.deson.com):

- annual report of the Company for the year ended 31 March 2014 published on 3 July 2014 (pages 31 to 120)
<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0703/LTN20140703007.pdf>;
- annual report of the Company for the year ended 31 March 2015 published on 6 July 2015 (pages 35 to 122)
<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0706/LTN20150706805.pdf>;
and
- annual report of the Company for the year ended 31 March 2016 published on 7 July 2016 (pages 44 to 128)
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0707/LTN20160707544.pdf>.

Details of the published financial information of the Group for the six months ended 30 September 2016 are disclosed in the interim report of the Company for the period ended 30 September 2016. Details of these financial statements have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.deson.com):

- interim report of the Company for the period ended 30 September 2016 published on 17 November 2016 (pages 1 to 28)
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1117/LTN20161117209.pdf>.

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 December 2016, being the latest practicable date for the purpose of compiling this indebtedness statement prior to the printing of this circular, the Group had the following borrowings:

	As at 31 December 2016
	<i>HK\$'000</i>
Current	
Bank loans – secured and unguaranteed	584,700
Bank overdrafts – secured and unguaranteed	31,955
Trust receipt loans – secured and unguaranteed	4,713
Other borrowings – unsecured and unguaranteed	<u>38,176</u>
	<u>659,544</u>
Non-current	
Bank loans – secured and unguaranteed	396,662
Other borrowings – unsecured and unguaranteed	<u>97,440</u>
	<u>494,102</u>
	<u><u>1,153,646</u></u>

The Group's banking facilities were secured by:

- (i) the pledge of certain of the Group's leasehold land and buildings situated in Hong Kong of HK\$141,554,000;
- (ii) the pledge of certain of the Group's investment properties situated in Mainland China, which had an aggregate carrying value of HK\$523,160,000;
- (iii) the pledge of certain of the Group's properties held for sale under development and properties held for sale situated in Mainland China of HK\$366,440,000; and
- (iv) the pledge of the Group's deposits of HK\$563,380,000.

Convertible bonds

The Group had outstanding convertible bonds with an aggregate principal amount of HK\$30,900,000 with a maturity date of 17 April 2019. The carrying amount of the convertible bonds as at 31 December 2016 was approximately HK\$24,858,000.

The Group also had amounts due to associates and a non-controlling shareholder of approximately HK\$48,000 and HK\$1,500,000 respectively, which are unsecured, unguaranteed, non-interest bearing and repayable on demand.

As at the close of business on 31 December 2016 (being the latest practicable date for ascertaining the information prior to the printing of this circular), apart from intra-group liabilities and normal trade payables and save as disclosed above, the Group did not have any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2016.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, in the absence of any unforeseeable circumstances and after taking into account the internal financial resources, the cash flows to be generated from the operating activities, the available banking facilities and the net proceeds from the Placing, the Group has sufficient working capital for its present requirements and for the period up to twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the financial impact on the Group as a result of the relevant results, assets and liabilities of the Deson Construction Group ceasing to be consolidated into the accounts of the Company upon completion of the Placing, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, being the date to which the latest published audited financial statements of the Group were made up. On the other hand, the Board is optimistic about the property market in the Mainland China in general in the long run. The sale of the property units from the property development project in Kaifeng, the PRC which is to be financed from the funds raised from the Placing will generate substantial revenue to the Group. Further, given (i) the gross profit margins of sale of properties and property investment in the PRC are generally higher than that of the construction business engaged by the Deson Construction Group; and (ii) recent slowdown of the PRC property market, the Placing can generate funds for the Group's development of and investment in properties in the PRC. Our Directors believe that the Placing pursuant to the Placing Agreement is a better utilisation of the Group's financial resources for better business development and financial performance of the Group in the long run.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Property development and investment

On 9 June 2005, the Group was granted the land use rights of a development site in the Long Ting district of the city of Kaifeng, the PRC. The Directors intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 221,000 sq. metres. Up to now, construction for a total gross floor area of 190,000 sq. metres was completed and the total sales contract sum achieved amounted to approximately RMB754 million. The remaining portions of the complex are under construction. The process is going well and it is expected that the construction will be completed by 2017.

On 16 February 2012, the Group successfully won a bid for the acquisition of land use right of a residential and commercial site in the city of Kaifeng, the PRC. The Directors intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 100,000 sq. metres. Up to now, construction for a gross floor area of approximately 20,000 sq. metres was completed. It includes two commercial buildings with a gross floor area of 15,000 sq. metres and an animation theatre with a gross floor area of around 5,000 sq. metres. The total sales contract sum derived from the sales of commercial properties amounted to approximately RMB139 million. The animation theatre is named the “Qing-Ming Riverside Anime Exhibition” and is used to show the animation of 清明上河圖 which was shown in the 2010 Shanghai Expo. It is planned to become a tourist spot at Kaifeng City. It is expected that the construction of the whole project will be completed by 2018.

In September 2014, the Group was granted another land use right in the city of Kaifeng, the PRC, namely Zhu Ji Lane (珠璣巷). The Group intended to develop a commercial street project with a total gross floor area of approximately 13,000 sq. metres. It was put in use in the 27th World Hakka Conference held in October 2014. As of now, the project has been completed. The total contract sum derived from the sales of this area amounted to approximately RMB3 million. Most of the units have already been rented out at the Latest Practicable Date.

In the first half of 2016, the Central Government continued its relaxation policies towards the property sector in the mainland, with the lowering of down-payment proportion, alleviation of tax charges and easing of credit. This served to spur demand across all cities, which rendered an overall increase in price and volume in the property market. The local governments, to cope with their own conditions and specific needs, adopted different policies to regulate the market demand and supply. To bring about the long term and healthy development of the property market, many significant policies have been put forward by the Central Government of the PRC at the Latest Practicable Date, which included the stimulation of both end-user and upgrading demands, the establishment of a housing regime to accommodate rental and buying demands, the implementation of the reform from business tax to value-added tax in the real estate sector, as well as the comprehensive registration of the immovable assets nationwide.

The Board remains optimistic about the property market in the PRC and the Group will continue to place emphasis on strengthening the property development and investment business. The Group may acquire additional land to enrich the Group's land reserve, specifically in the second and third-tier cities in the PRC where the markets continue to be bullish and growth potential is consistently increasing. However, the Group currently has no specific investment plan in relation to any particular project.

Trading of medical equipment and home security and automation products

Rising affluence in Hong Kong and the major cities in the PRC, as well as the increasing health awareness among consumers (especially among higher-income urban consumers) has continued to create higher demand for medical equipment. The Group's efforts on trading of medical equipment should continue to pay off in terms of sales growth and market penetration in the PRC. In the coming year, the Group will expand its distribution channels and introduce a broader range of products to spur its sales growth.

Also, with the increasing safety awareness in Hong Kong and the major cities in the PRC, it is expected that there will be high demand for wired and wireless security devices and systems, applicable to residential estates, commercial offices, shops, hotels, hospitals, museums and prisons.

Going forward, the uncertainty in the world economy and the slowdown in economic growth in the mainland will continue to pose challenges to the Group's business. As a part of its efforts to control inflation and maintain a stable and healthy economic growth, the tightening of policies such as restrictions on home purchase also had certain negative impact on the mainland property market. However, it is expected that the economy of the PRC will sustain a healthy growth, and Hong Kong remains well positioned to benefit from the PRC's continuing growth and development. As such, the Group remains optimistic in the long run and has confidence in the growth momentum in the PRC and Hong Kong.

The Group will continue to adopt efficient cost management strategies and maintain tight credit control to cope with challenges and enhance its competitiveness under the fluctuating operating environment. The Directors will continue to dedicate their best efforts to maximise the best interests for the Shareholders of the Company.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis of the Remaining Group for the three years ended 31 March 2016 (the "**Reporting Periods**"). The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the consolidated financial statements of the Company for the Reporting Periods.

(a) Business review for the year ended 31 March 2016*Business review*

For the year ended 31 March 2016, the Remaining Group recorded a turnover in amount of approximately HK\$91,543,000, which represented a decrease of 10% as compared with the preceding year. The net profit attributable to equity holders of the Company amounted to approximately HK\$132,189,000 representing an increase of 34% as compared with the preceding year. The increase was mainly due to a significant increase in fair value gain on investment properties (before deferred taxation) in an amount of approximately HK\$262,341,000. The increase was offset by the general slowdown in the property market in the PRC. In addition, a sum of approximately HK\$5,954,000, being the share option expenses were incurred due to the grant of share options to certain directors and employees of the Remaining Group during the year.

For the year ended 31 March 2016, operating profit generated from the property development and investment business increased by 37% as compared to the preceding year. This was mainly due to the combined effect of (i) the significant increase in fair value gain on investment properties (before deferred taxation) in an amount of approximately HK\$262,341,000; (ii) the slowdown of the PRC property market during the year; and (iii) the decrease in rental income. Turnover generated from the sales of property decreased by 32% from approximately HK\$72,728,000 for the year ended 31 March 2015 to approximately HK\$49,331,000 for the year ended 31 March 2016. Besides, the Remaining Group's rental income received during the year decreased by 25% from approximately HK\$51,293,000 for the year ended 31 March 2015 to approximately HK\$38,410,000 for the year ended 31 March 2016. However, the Remaining Group had reclassified its properties at Kaifeng City, Henan Province, the PRC from "properties held for sales" to "investment properties" during the year. As at 31 March 2016, the revaluation gain recorded during the year for all of the investment properties held by the Remaining Group was approximately HK\$261,921,000 (2015: HK\$141,436,000). The increase in fair value gain on investment properties had totally offset the effect in the drop of sales of properties and the decrease in rental income.

*Financial review**Turnover and segmental result*

For the year ended 31 March 2016, the Remaining Group recorded a turnover in the amount of approximately HK\$92 million, decreased by 9% as compared to the preceding year. Turnover generated from property development and investment business and other business amounted to approximately HK\$60 million and HK\$32 million, respectively, which represented a decrease by 20% and an increase by 21%, respectively, as compared to last year. The decrease from property development and investment business was mainly due to the decrease of

the sales of properties in the PRC. The increase from other business was mainly because more projects were granted from hospitals for the trading of medical equipment.

Gross profit margin

During the year ended 31 March 2016, the Remaining Group's gross profit margin was approximately 38% which was similar to the preceding year.

Liquidity and financial resources

As at 31 March 2016, the Remaining Group had total assets of approximately HK\$3,034,851,000, which was financed by total liabilities and shareholders' equity of approximately HK\$1,689,508,000 and HK\$1,343,343,000, respectively. The Remaining Group's current ratio as at 31 March 2016 was 1.36 compared to 2.16 as at 31 March 2015.

The gearing ratio of the Remaining Group was 35%. It was calculated based on the non-current liabilities of approximately HK\$729,872,000 and long term capital (equity and non-current liabilities) of approximately HK\$2,075,215,000.

Capital expenditure

Total capital expenditure for the year ended 31 March 2016 was approximately HK\$873,000, which was mainly used in the purchase of items of property, plant and equipment.

Material acquisition or disposal, significant investments and future plans for material investment

The Remaining Group did not have any material acquisition or disposal, significant investments and future plans for material investment for the year ended 31 March 2016.

Contingent liabilities

As at 31 March 2016, there were no significant contingent liabilities for the Remaining Group.

Commitments

As at 31 March 2016, there were no significant capital commitments for the Remaining Group.

Charges on assets

The Remaining Group's banking facilities were secured by:

- (i) the pledge of certain of the Remaining Group's leasehold land and buildings situated in Hong Kong of HK\$129,500,000;
- (ii) the pledge of certain of the Remaining Group's investment properties situated in Mainland China of HK\$541,200,000;
- (iii) the pledge of certain of the Remaining Group's properties held for sale under development and properties held for sale situated in Mainland China, which had an aggregate carrying value of HK\$234,403,000; and
- (iv) the pledge of the Remaining Group's deposits of HK\$584,400,000.

Treasury policies

The Directors continued to follow a prudent policy in managing the Remaining Group's cash balances and maintaining a strong and healthy liquidity to ensure that the Remaining Group was well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development project in Kaifeng, the PRC, the Remaining Group took consideration on the Renminbi fund planning to adequately finance this project. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in HK\$ and Renminbi, hence, there was no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

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

The Remaining Group did not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitored the related foreign currency exposure closely and would consider hedging significant foreign currency exposures should the need arise.

Human resources

As at 31 March 2016, the Remaining Group had 178 employees, 142 of whom were based in the PRC. The remuneration policy and package of the Remaining Group's employees were reviewed and approved by the Directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Company offered discretionary bonus and share options to staff based on the individual performance and the achievements of the Company's targets.

(b) Business review for the year ended 31 March 2015*Business review*

For the year ended 31 March 2015, the Remaining Group recorded a turnover in amount of approximately HK\$101,238,000, which represented a decrease of 37% as compared with the preceding year. The net profit attributable to equity holders of the Company amounted to approximately HK\$98,453,000 representing a decrease of 24% as compared with last year. The decrease was mainly due to general slowdown in the property market in the PRC. Besides, the listing expenses of approximately HK\$15.4 million incurred during the year also contributed to the decrease of net profit attributable to equity holders of the Company.

For the year ended 31 March 2015, operating profit generated from the property development and investment business increased slightly by 0.1% as compared to the preceding year. This was mainly due to the combined effect of the slowdown of the PRC property market for the year ended 31 March 2015, the increase in rental income and the increase in fair value gain of investment properties. Turnover generated from the sales of property decreased by 40% from approximately HK\$121,068,000 for the year ended 31 March 2014 to approximately HK\$72,728,000 for the year ended 31 March 2015. However, the Remaining Group's rental income received during the year increased by 23% from approximately HK\$41,653,000 for the year ended 31 March 2014 to approximately HK\$51,293,000 for the year ended 31 March 2015. On the other hand, the Remaining Group had reclassified its properties at Haikou, Hainan Province, the PRC from "properties held for sales" to "investment properties" during the year. As at 31 March 2015, revaluation gain recorded during the year for all of the investment properties held by the Remaining Group is approximately HK\$140,561,000 (2014: HK\$121,919,000). The increase in rental income and the increase of fair value gain of investment properties totally offset the effect of drop of sales of properties.

*Financial review**Turnover and segmental result*

For the year ended 31 March 2015, the Remaining Group recorded a turnover in amount of approximately HK\$101 million, which decreased by 37% as compared to the preceding year. Turnover generated from property development and investment business and other business amounted to approximately HK\$74 million and HK\$27 million, respectively, which represented a decrease by 38% and 31%, respectively, as compared to last year. The decrease from property development and investment business was mainly due to the decrease of the sales of properties in the PRC. The decrease from other business was mainly due to the drop of the sales from the trading of granite and marble products by 60%.

Gross profit margin

During the year ended 31 March 2015, the Remaining Group's gross profit margin was approximately 38%, which increased by 4 percentage points as compared to the preceding year. This was mainly because more commercial shops were sold for the year ended 31 March 2015, where the gross profit margin of selling shops generally had a higher gross profit margin than selling residential apartments.

Liquidity and financial resources

As at 31 March 2015, the Remaining Group had total assets of approximately HK\$2,558,272,000, which was financed by total liabilities and shareholders' equity of approximately HK\$1,417,459,000 and HK\$1,140,813,000, respectively. The Remaining Group's current ratio as at 31 March 2015 was 2.16 compared to 1.89 as at 31 March 2014.

The gearing ratio of the Remaining Group was 38%. It was calculated based on the non-current liabilities of approximately HK\$704,500,000 and long term capital (equity and non-current liabilities) of approximately HK\$1,845,313,000.

Capital expenditure

Total capital expenditure for the year ended 31 March 2015 was approximately HK\$411,000, which was mainly used for the purchase of office equipment.

Material acquisition or disposal, significant investments and future plans for material investment

The Remaining Group did not have any material acquisition or disposal, significant investments and future plans for material investment for the year ended 31 March 2015.

Contingent liabilities

As at 31 March 2015, there were no significant contingent liabilities for the Remaining Group.

Commitments

As at 31 March 2015, there were no significant capital commitments for the Remaining Group.

Charges on assets

The Remaining Group's banking facilities were secured by:

- (i) the pledge of certain of the Remaining Group's leasehold land and buildings situated in Hong Kong of HK\$136,600,000;
- (ii) the pledge of certain of the Remaining Group's properties held for sale under development and properties held for sale situated in Mainland China, which had an aggregate carrying value of HK\$516,900,000; and
- (iii) the pledge of the Remaining Group's deposits of HK\$356,428,000.

Treasury policies

The Directors continued to follow a prudent policy in managing the Remaining Group's cash balances and maintaining a strong and healthy liquidity to ensure that the Remaining Group was well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development project in Kaifeng, the PRC, the Remaining Group would take consideration on the Renminbi fund planning to adequately finance this project. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in HK\$ and Renminbi, hence, there was no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

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

The Remaining Group did not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitored the related foreign currency exposure closely and would consider hedging significant foreign currency exposures should the need arise.

Human resources

As at 31 March 2015, the Remaining Group had 188 employees, 151 of whom were based in the PRC. The remuneration policy and package of the Remaining Group's employees were reviewed and approved by the Directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Company offered discretionary bonus and share options to staff based on the individual performance and the achievements of the Company's targets.

(c) Business review for the year ended 31 March 2014*Business review*

For the year ended 31 March 2014, the Remaining Group recorded a turnover in amount of approximately HK\$159,590,000, which represented a decrease of 36% as compared with the preceding year. The net profit attributable to equity holders of the Company amounted to approximately HK\$129,766,000 representing an increase of 213% as compared with the preceding year. The increase was mainly due to a significant increase in fair value gain on investment properties (before deferred taxation) in an amount of approximately HK\$121,919,000 (2013: loss of HK\$1,135,000). For the year ended 31 March 2014, the Remaining Group also made a gain on disposal of a subsidiary in an amount of approximately HK\$16,057,000 whereas there was no similar gain generated in last year.

On 1 February 2013, Yew Siang Limited (“**Yew Siang**”), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in 美格菲(成都)康體發展有限公司, a wholly-owned subsidiary of Yew Siang, together with a shareholder’s loan for a total consideration of RMB56,453,000. The disposal was completed on 29 May 2013 and contributed a gain on disposal of a subsidiary of approximately HK\$16,057,000 to the Remaining Group for the year ended 31 March 2014.

*Financial review**Turnover and segmental result*

For the year ended 31 March 2014, the Remaining Group record a turnover in amount of approximately HK\$160 million, which decreased by 36% as compared to the preceding year. Turnover generated from property development and investment business and other business amounted to approximately HK\$121 million and HK\$39 million, respectively, which represented a decrease by 39% and 23%, respectively, as compared to the preceding year. The decrease from property development and investment business was mainly due to the fact that no new properties under development has been completed during the year, and the Remaining Group was only selling the remaining completed properties of sections B, D to F of Phase II of Century Place, Kaifeng, the PRC. The decrease from other business was mainly due to the significant drop of sales from the trading of granite and marble products by 59%.

Gross profit margin

During the year ended 31 March 2014, the Remaining Group's gross profit margin was approximately 34%, which decreased by 5 percentage points as compared to last year. This was mainly because the Remaining Group was only selling the remaining properties of Century Place, Kaifeng, the PRC with a lower price to clear the stock on hands.

Liquidity and financial resources

As at 31 March 2014, the Remaining Group had total assets of approximately HK\$1,581,670,000, which was financed by total liabilities and shareholders' equity of approximately HK\$850,748,000 and HK\$730,922,000, respectively. The Remaining Group's current ratio as at 31 March 2014 was 1.89 compared to 1.85 as at 31 March 2013.

The gearing ratio of the Remaining Group was 21%. It was calculated based on the non-current liabilities of approximately HK\$192,270,000 and long term capital (equity and non-current liabilities) of approximately HK\$923,192,000.

Capital expenditure

Total capital expenditure for the year ended 31 March 2014 was approximately HK\$387,000, which was mainly used for the purchase of office equipment.

Material acquisition or disposal, significant investments and future plans for material investment

The Remaining Group did not have any material acquisition or disposal, significant investments and future plans for material investment for the year ended 31 March 2014.

Contingent liabilities

As at 31 March 2014, there were no significant contingent liabilities for the Remaining Group.

Commitments

As at 31 March 2014, there were no significant capital commitments for the Remaining Group.

Charges on assets

The Remaining Group's banking facilities were secured by:

- (i) the pledge of certain of the Remaining Group's investment properties situated in Mainland China of HK\$294,125,000;

- (ii) the pledge of certain of the Remaining Group's properties held for sale under development and properties held for sale situated in Mainland China, which had an aggregate carrying value of HK\$345,149,000; and
- (iii) the pledge of the Remaining Group's deposits of HK\$23,934,000.

Treasury policies

The Directors continued to follow a prudent policy in managing the Remaining Group's cash balances and maintain a strong and healthy liquidity to ensure that the Remaining Group was well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development project in Kaifeng, the PRC, the Remaining Group would take consideration on the Renminbi fund planning to adequately finance this project. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in HK\$ and Renminbi, hence, there was no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

The Remaining Group's receivables and payables were denominated mainly in HK\$ and Renminbi. Since some of the Remaining Group's business are based in the PRC, the continuing appreciation of RMB inevitably increase the development costs and operating costs, however, the fluctuation in RMB was still mild during the relevant period and the PRC operation was naturally hedged by the future RMB receivables, therefore the management did not foresee any significant foreign currency exposure.

Human Resources

As at 31 March 2014, the Remaining Group had 180 employees, 161 of whom were based in the PRC. The remuneration policy and package of the Remaining Group's employees were reviewed and approved by the Directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Company offered discretionary bonus and share options to staff based on the individual performance and the achievements of the Company's targets.

FINANCIAL INFORMATION OF THE DESON CONSTRUCTION GROUP

Details of the published audited financial information of the Deson Construction Group for each of the three years ended 31 March 2014, 2015 and 2016 and published unaudited financial information of the Deson Construction Group for six months ended 30 September 2016 (“**Unaudited Financial Information**”) are disclosed in the prospectus of Deson Construction, annual reports of Deson Construction for the financial years ended 31 March 2015 and 2016, and interim report for the financial period ended 30 September 2016, respectively. Details of these financial statements have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.deson-c.com):

- prospectus of Deson Construction published on 24 December 2014 (pages I-4 to I-76)
<http://www.hkexnews.hk/listedco/listconews/GEM/2014/1224/GLN20141224003.pdf>;
- annual report of Deson Construction for the year ended 31 March 2015 published on 29 June 2015 (pages 35 to 99)
<http://www.hkexnews.hk/listedco/listconews/GEM/2015/0629/GLN20150629081.pdf>;
- annual report of Deson Construction for the year ended 31 March 2016 published on 29 June 2016 (pages 47 to 117)
<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0629/GLN20160629091.pdf>;
and
- interim report of Deson Construction for the period ended 30 September 2016 published on 14 November 2016 (pages 1 to 22)
<http://www.hkexnews.hk/listedco/listconews/GEM/2016/1114/GLN20161114127.pdf>.

Set out below are consolidated statement of financial position of the Deson Construction Group as at 31 March 2014, 2015 and 2016 and as at 30 September 2016; consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Deson Construction Group for each of the three financial years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016 and certain explanatory notes of the Deson Construction Group (collectively the “**Financial Information**”). The Financial Information has been prepared on the basis set out in Note 2 in this appendix, and in accordance with the accounting policies adopted by the Group and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules.

The Company’s reporting accountants were engaged to review the Unaudited Financial Information which is included in the Financial Information of the Deson Construction Group set out on pages II-2 to II-11 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards

APPENDIX II**FINANCIAL INFORMATION OF
THE DESON CONSTRUCTION GROUP**

on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion. Based on their review on the Unaudited Financial Information of the Deson Construction Group for the six months ended 30 September 2016, nothing has come to their attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in Note 2 below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended			For the six months ended	
	31 March 2014 (Audited) HK\$'000	31 March 2015 (Audited) HK\$'000	31 March 2016 (Audited) HK\$'000	30 September 2015 (Unaudited) HK\$'000	30 September 2016 (Unaudited) HK\$'000
REVENUE	825,379	750,075	812,470	370,025	484,206
Cost of sales	<u>(778,333)</u>	<u>(707,288)</u>	<u>(765,653)</u>	<u>(349,352)</u>	<u>(424,445)</u>
Gross profit	47,046	42,787	46,817	20,673	59,761
Other income and gains	12,287	5,077	2,475	802	697
Fair value gain/(loss) on investment properties	635	875	(420)	-	-
Administrative expenses	(39,468)	(49,919)	(32,989)	(15,566)	(14,009)
Other operating income/ (expenses), net	(118)	336	(3,911)	(9)	2,919
Finance costs	<u>(22)</u>	<u>(492)</u>	<u>(467)</u>	<u>(251)</u>	<u>(1,436)</u>
PROFIT/(LOSS) BEFORE TAX	20,360	(1,336)	11,505	5,649	47,932
Income tax credit/(expense)	<u>(4,408)</u>	<u>(3,447)</u>	<u>840</u>	<u>(525)</u>	<u>(1)</u>
PROFIT/(LOSS) FOR THE YEAR/PERIOD	<u>15,952</u>	<u>(4,783)</u>	<u>12,345</u>	<u>5,124</u>	<u>47,931</u>
Attributable to:					
Owners of Deson Construction	15,946	(3,977)	10,856	5,634	46,224
Non-controlling interests	<u>6</u>	<u>(806)</u>	<u>1,489</u>	<u>(510)</u>	<u>1,707</u>
	<u>15,952</u>	<u>(4,783)</u>	<u>12,345</u>	<u>5,124</u>	<u>47,931</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended			For the six months ended	
	31 March 2014 (Audited) HK\$'000	31 March 2015 (Audited) HK\$'000	31 March 2016 (Audited) HK\$'000	30 September 2015 (Unaudited) HK\$'000	30 September 2016 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE YEAR/PERIOD	15,952	(4,783)	12,345	5,124	47,931
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	<u>(55)</u>	<u>(285)</u>	<u>(1,248)</u>	<u>(603)</u>	<u>(1,419)</u>
Other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods:					
Surplus/(deficit) on revaluation of leasehold land and buildings	10,944	9,411	(757)	-	-
Income tax effect	<u>(1,806)</u>	<u>(1,553)</u>	<u>125</u>	<u>-</u>	<u>-</u>
Net other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods	<u>9,138</u>	<u>7,858</u>	<u>(632)</u>	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	<u>9,083</u>	<u>7,573</u>	<u>(1,880)</u>	<u>(603)</u>	<u>(1,419)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD	<u><u>25,035</u></u>	<u><u>2,790</u></u>	<u><u>10,465</u></u>	<u><u>4,521</u></u>	<u><u>46,512</u></u>
Attributable to:					
Owners of Deson Construction	25,029	3,647	9,179	5,120	45,072
Non-controlling interests	<u>6</u>	<u>(857)</u>	<u>1,286</u>	<u>(599)</u>	<u>1,440</u>
	<u><u>25,035</u></u>	<u><u>2,790</u></u>	<u><u>10,465</u></u>	<u><u>4,521</u></u>	<u><u>46,512</u></u>

APPENDIX II
**FINANCIAL INFORMATION OF
THE DESON CONSTRUCTION GROUP**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2014 (Audited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000	As at 30 September 2016 (Unaudited) HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	143,850	19,159	17,634	17,323
Investment properties	<u>10,875</u>	<u>11,656</u>	<u>10,860</u>	<u>10,498</u>
Total non-current assets	<u>154,725</u>	<u>30,815</u>	<u>28,494</u>	<u>27,821</u>
CURRENT ASSETS				
Gross amount due from contract customers	7,563	25,304	30,011	29,920
Due from related companies	5,115	6,196	5,894	5,894
Due from fellow subsidiaries	943,410	28	27	2
Accounts receivable	68,906	54,626	100,878	79,698
Prepayments, deposits and other receivables	12,952	13,467	23,195	52,377
Equity investments at fair value through profit or loss	–	–	8,124	32,709
Tax recoverable	–	–	2,490	2,490
Pledged deposits	27,863	29,674	29,727	29,752
Cash and cash equivalents	<u>69,263</u>	<u>30,812</u>	<u>39,068</u>	<u>65,093</u>
Total current assets	<u>1,135,072</u>	<u>160,107</u>	<u>239,414</u>	<u>297,935</u>
CURRENT LIABILITIES				
Gross amount due to contract customers	87,845	88,455	114,914	116,364
Accounts payable	44,895	18,994	32,905	15,583
Other payables and accruals	22,607	25,806	47,857	52,636
Due to non-controlling shareholders	1,500	1,500	1,500	1,500
Due to fellow subsidiaries	793,641	30	14	14
Tax payable	1,278	2,083	535	315
Financial liabilities at fair value through profit or loss	–	–	–	4,526
Interest-bearing bank borrowings	<u>48,182</u>	<u>20,761</u>	<u>31,510</u>	<u>25,594</u>
Total current liabilities	<u>999,948</u>	<u>157,629</u>	<u>229,235</u>	<u>216,532</u>
NET CURRENT ASSETS	<u>135,124</u>	<u>2,478</u>	<u>10,179</u>	<u>81,403</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>289,849</u>	<u>33,293</u>	<u>38,673</u>	<u>109,224</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2014 (Audited) <i>HK\$'000</i>	As at 31 March 2015 (Audited) <i>HK\$'000</i>	As at 31 March 2016 (Audited) <i>HK\$'000</i>	As at 30 September 2016 (Unaudited) <i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	15,117	–	–	–
Deferred tax liabilities	22,968	5,035	2,767	2,707
Convertible bonds	–	–	–	24,099
	<u>38,085</u>	<u>5,035</u>	<u>2,767</u>	<u>26,806</u>
Total non-current liabilities				
Net assets	<u>251,764</u>	<u>28,258</u>	<u>35,906</u>	<u>82,418</u>
EQUITY				
Equity attributable to owners of Deson Construction				
Issued capital	–	20,000	25,000	25,000
Reserves	245,941	3,292	4,654	49,726
	245,941	23,292	29,654	74,726
Non-controlling interests	<u>5,823</u>	<u>4,966</u>	<u>6,252</u>	<u>7,692</u>
Total equity	<u>251,764</u>	<u>28,258</u>	<u>35,906</u>	<u>82,418</u>

APPENDIX II
**FINANCIAL INFORMATION OF
THE DESON CONSTRUCTION GROUP**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

APPENDIX II
**FINANCIAL INFORMATION OF
THE DESON CONSTRUCTION GROUP**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Deson Construction											
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained profits/(loss) (Accumulated) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2015	20,000	14,381	(5,372)	15,645	-	-	4,984	5,581	(31,927)	23,292	4,966	28,258
Profit for the year	-	-	-	-	-	-	-	-	10,856	10,856	1,489	12,345
Other comprehensive income/(loss) for the year:												
Deficit on revaluation of leasehold land and buildings, net of tax	-	-	-	(632)	-	-	-	-	-	(632)	-	(632)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,045)	-	-	(1,045)	(203)	(1,248)
Total comprehensive income/(loss) for the year	-	-	-	(632)	-	-	(1,045)	-	10,856	9,179	1,286	10,465
Issue of bonus shares	5,000	(5,000)	-	-	-	-	-	-	-	-	-	-
Release of revaluation reserve	-	-	-	(719)	-	-	-	-	719	-	-	-
Final 2015 dividend paid	-	-	-	-	-	-	-	-	(4,000)	(4,000)	-	(4,000)
Equity-settled share option arrangements	-	-	-	-	-	1,183	-	-	-	1,183	-	1,183
At 31 March 2016	<u>25,000</u>	<u>9,381</u>	<u>(5,372)</u>	<u>14,294</u>	<u>-</u>	<u>1,183</u>	<u>3,939</u>	<u>5,581</u>	<u>(24,352)</u>	<u>29,654</u>	<u>6,252</u>	<u>35,906</u>
At 1 April 2016	25,000	9,381	(5,372)	14,294	-	1,183	3,939	5,581	(24,352)	29,654	6,252	35,906
Profit for the period	-	-	-	-	-	-	-	-	46,224	46,224	1,707	47,931
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,152)	-	-	(1,152)	(267)	(1,419)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(1,152)	-	46,224	45,072	1,440	46,512
Release of revaluation reserve	-	-	-	(340)	-	-	-	-	340	-	-	-
At 30 September 2016 (unaudited)	<u>25,000</u>	<u>9,381</u>	<u>(5,372)</u>	<u>13,954</u>	<u>-</u>	<u>1,183</u>	<u>2,787</u>	<u>5,581</u>	<u>22,212</u>	<u>74,726</u>	<u>7,692</u>	<u>82,418</u>
At 1 April 2015	20,000	14,381	(5,372)	15,645	-	-	4,984	5,581	(31,927)	23,292	4,966	28,258
Profit/(loss) for the period	-	-	-	-	-	-	-	-	5,634	5,634	(510)	5,124
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(514)	-	-	(514)	(89)	(603)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(514)	-	5,634	5,120	(599)	4,521
Issue of bonus shares	5,000	(5,000)	-	-	-	-	-	-	-	-	-	-
Release of revaluation reserve	-	-	-	(359)	-	-	-	-	359	-	-	-
Final 2015 dividend paid	-	-	-	-	-	-	-	-	(4,000)	(4,000)	-	(4,000)
At 30 September 2015 (unaudited)	<u>25,000</u>	<u>9,381</u>	<u>(5,372)</u>	<u>15,286</u>	<u>-</u>	<u>-</u>	<u>4,470</u>	<u>5,581</u>	<u>(29,934)</u>	<u>24,412</u>	<u>4,367</u>	<u>28,779</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended			For the six months ended	
	31 March 2014 (Audited) HK\$'000	31 March 2015 (Audited) HK\$'000	31 March 2016 (Audited) HK\$'000	30 September 2015 (Unaudited) HK\$'000	30 September 2016 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	20,360	(1,336)	11,505	5,649	47,932
Adjustments for:					
Finance costs	22	492	467	251	1,436
Interest income	(192)	(299)	(255)	(132)	(99)
Loss/(gain) on disposal of equity investments at fair value through profit or loss	–	–	(70)	–	–
Fair value loss/(gain) on investment properties	(635)	(875)	420	–	–
Loss on disposal of items of property, plant and equipment	39	309	21	21	–
Depreciation	5,010	2,675	830	417	403
Reversal of unclaimed liabilities	(4,188)	(2,460)	–	–	–
Impairment/(reversal of impairment) of other receivables	64	(625)	–	–	–
Fair value gain on financial liabilities at fair value through profit or loss	–	–	–	–	(2,919)
Fair value gain on equity investments at fair value through profit or loss	–	–	(724)	–	(5,038)
Impairment of accounts receivable	15	–	3,903	–	–
Equity-settled share option expense	–	–	1,183	–	–
	20,495	(2,119)	17,280	6,206	41,715
Decrease/(increase) in gross amount due from contract customers	1,904	(16,264)	(4,591)	1,637	371
Increase in equity investments at fair value through profit or loss	–	–	–	–	(19,547)
Decrease/(increase) in accounts receivable	(12,269)	14,271	(50,208)	(15,873)	21,136
Decrease/(increase) in prepayments, deposits and other receivables	(4,457)	84	(9,756)	(2,322)	(29,966)
Increase in gross amount due to contract customers	29,623	610	26,459	5,270	1,450
Increase/(decrease) in accounts payable	18,150	(23,450)	13,975	1,729	(17,255)
Increase in other payables and accruals	1,593	3,291	22,359	16,478	4,885
Cash generated from/(used in) operations	55,039	(23,577)	15,518	13,125	2,789

APPENDIX II
**FINANCIAL INFORMATION OF
THE DESON CONSTRUCTION GROUP**
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended			For the six months ended	
	31 March 2014 (Audited) HK\$'000	31 March 2015 (Audited) HK\$'000	31 March 2016 (Audited) HK\$'000	30 September 2015 (Unaudited) HK\$'000	30 September 2016 (Unaudited) HK\$'000
Interest paid	(826)	(2,123)	(1,394)	(634)	(354)
Hong Kong tax paid	–	(800)	(4,434)	–	–
Overseas taxes paid	(1,864)	(1,562)	(828)	(605)	(204)
Net cash flows from/(used in) operating activities	52,349	(28,062)	8,862	11,886	2,231
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	192	299	255	132	99
Purchases of equity investments at fair value through profit or loss	–	–	(9,818)	–	–
Proceeds from disposal of equity investments at fair value through profit or loss	–	–	2,488	–	–
Purchases of items of property, plant and equipment	(259)	(282)	(98)	(74)	(94)
Proceeds from disposal of items of property, plant and equipment	3	–	10	10	–
Increase in pledged deposits	(89)	(1,811)	(53)	(26)	(25)
Movement in balances with related companies, net	(696)	(1,081)	302	300	–
Net cash flows from/(used in) investing activities	(849)	(2,875)	(6,914)	342	(20)
CASH FLOWS FROM FINANCING ACTIVITIES					
Issue of shares	–	31,370	–	–	–
Share issue expenses	–	(2,369)	–	–	–
Proceeds of convertible bonds	–	–	–	–	30,900
Transaction cost of convertible bonds	–	–	–	–	(725)
New bank borrowings	27,428	16,992	13,475	25,018	9,177
Repayment of bank borrowings	(34,508)	(38,172)	(17,109)	(17,109)	(13,475)
Dividends paid	–	–	(4,000)	(4,000)	–
Movement in balances with fellow subsidiaries	7,649	(18,872)	(15)	(2)	25
Net cash flows from/(used in) financing activities	569	(11,051)	(7,649)	3,907	25,902
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	52,069	(41,988)	(5,701)	16,135	28,113

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended			For the six months ended	
	31 March 2014 (Audited) HK\$'000	31 March 2015 (Audited) HK\$'000	31 March 2016 (Audited) HK\$'000	30 September 2015 (Unaudited) HK\$'000	30 September 2016 (Unaudited) HK\$'000
Cash and cash equivalents at beginning of year	17,251	69,253	27,160	27,160	21,033
Effect of foreign exchange rate changes, net	(67)	(105)	(426)	(642)	(470)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	69,253	27,160	21,033	42,653	48,676
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the statement of financial position	69,263	30,812	39,068	59,006	65,093
Bank overdrafts, secured	(10)	(3,652)	(18,035)	(16,353)	(16,417)
Cash and cash equivalents as stated in the statement of cash flows	69,253	27,160	21,033	42,653	48,676

NOTES TO THE FINANCIAL INFORMATION OF THE DESON CONSTRUCTION GROUP

For each of the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2016

1. GENERAL INFORMATION

On 11 January 2017, DDHL, a direct wholly owned subsidiary of the Company entered into the Placing Agreement with the Placing Agent to place up to 200,000,000 Placing Shares to independent placees.

Upon completion of the Placing, the Company will retain 311,769,868 Deson Construction Shares (representing approximately 31.18% of the existing issued share capital of Deson Construction) and the Deson Construction and its subsidiaries (the “Deson Construction Group”) will cease to be subsidiaries of the Company. Deson Construction was incorporated in the Cayman Islands as a company with limited liability. Deson Construction Group is principally involved in (i) the construction business as a main contractor, fitting-out works and the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau and other construction related business; and (ii) investment in securities.

2. BASIS OF PREPARATION

The Financial Information of the Deson Construction Group has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Placing.

The Financial Information of the Deson Construction Group has been prepared in accordance with the accounting policies adopted by the Company as set out in its annual report for the year ended 31 March 2016, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Financial Information of the Deson Construction Group has been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties, equity investments at fair value through profit or loss and financial liabilities through profit or loss, which have been measured at fair value. The Financial Information is presented in Hong Kong dollar (HK\$) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

The Financial Information of the Deson Construction Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” issued by the HKICPA nor an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING
GROUP****INTRODUCTION**

The accompanying unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group (collectively referred to as the “Unaudited Pro Forma Financial Information”) have been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effects upon Completion.

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2016 which has been extracted from the Group’s published interim report for the six months ended 30 September 2016 dated 9 November 2016, after taking into account the pro forma adjustments relating to the Placing(s) that are (i) clearly shown and explained; (ii) directly attributable to the Placing(s) and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Placing(s) had been completed on 30 September 2016.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2016 which have been extracted from the Group’s published annual report for the year ended 31 March 2016 dated 21 June 2016 after taking into account the pro forma adjustments relating to the Placing(s) that are (i) clearly shown and explained; (ii) directly attributable to the Placing(s) and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Placing(s) had been completed on 1 April 2015.

The accompanying Unaudited Pro Forma Financial Information of the Remaining Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Remaining Group upon Completion of the Placing(s). As the Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position and results of the Remaining Group following the completion of the Placing(s) and does not purport to describe the actual results of operations, financial position and cash flows of the Remaining Group that would have been attained had the Placing(s) been completed on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Remaining Group does not purport to predict the future financial position, results of operations or cash flows of the Remaining Group after Completion of the Placing(s).

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared in accordance with paragraph 29 of Chapter 4 and paragraph 68(2)(a)(ii) of Chapter 14 of the Listing Rules. The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I to the Circular, the information of the Deson Construction Group as set out in Appendix II to the Circular and other financial information included elsewhere in the Circular.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
**Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining
Group**
As at 30 September 2016

	The Group (unaudited)	Pro forma adjustments		The Remaining Group (unaudited)
	<i>HK\$'000</i> <i>Note 1</i>	<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	215,789	(17,323)	–	198,466
Investment properties	894,882	(10,498)	–	884,384
Goodwill	–	–	–	–
Investments in associates	(3,009)	–	82,619	79,610
Available-for-sale investments	21,641	–	–	21,641
Pledged deposits	446,600	–	–	446,600
Total non-current assets	1,575,903	(27,821)	82,619	1,630,701
CURRENT ASSETS				
Amounts due from associates	573	–	–	573
Amount due from an investee	100	(100)	–	–
Amount due from Deson Construction Group	–	12	–	12
Amount due from a related company	1,573	(1,413)	–	160
Properties held for sale under development and properties held for sale	1,012,934	–	–	1,012,934
Gross amount due from contract customers	31,633	(29,920)	–	1,713
Inventories	11,439	–	–	11,439
Accounts receivable	108,662	(79,698)	–	28,964
Prepayments, deposits and other receivables	146,627	(52,377)	–	94,250
Equity investments at fair value through profit or loss	36,595	(32,709)	–	3,886
Tax recoverable	2,490	(2,490)	–	–
Pledged deposits	149,272	(29,752)	–	119,520
Cash and cash equivalents	65,183	(65,093)	60,000	57,790
	–	–	(2,300)	–
	1,567,081	(293,540)	57,700	1,331,241
Assets of a disposal group classified as held for sale	133,804	–	–	133,804
Total current assets	1,700,885	(293,540)	57,700	1,465,045

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
**Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining
Group (continued)**
As at 30 September 2016

	The Group (unaudited)	Pro forma adjustments		The Remaining Group (unaudited)
	<i>HK\$'000</i> <i>Note 1</i>	<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i>
CURRENT LIABILITIES				
Gross amount due to contract customers	116,364	(116,364)	–	–
Accounts payable	24,451	(15,583)	–	8,868
Other payables and accruals	296,608	(52,636)	–	243,972
Amounts due to associates	1,267	4,381	–	5,648
Amounts due to non-controlling shareholders	1,500	(1,500)	–	–
Tax payable	64,954	(315)	–	64,639
Financial liabilities at fair value through profit or loss	4,526	(4,526)	–	–
Interest-bearing bank and other borrowings	771,928	(25,594)	–	746,334
	<u>1,281,598</u>	<u>(212,137)</u>	<u>–</u>	<u>1,069,461</u>
Liabilities directly associated with the assets of a disposal group classified as held for sale	35,300	–	–	35,300
	<u>1,316,898</u>	<u>(212,137)</u>	<u>–</u>	<u>1,104,761</u>
Total current liabilities	<u>1,316,898</u>	<u>(212,137)</u>	<u>–</u>	<u>1,104,761</u>
NET CURRENT ASSETS	<u>383,987</u>	<u>(81,403)</u>	<u>57,700</u>	<u>360,284</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,959,890</u>	<u>(109,224)</u>	<u>140,319</u>	<u>1,990,985</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	394,771	–	–	394,771
Deferred tax liabilities	142,003	(2,707)	–	139,296
Convertible bonds	24,099	(24,099)	–	–
	<u>560,873</u>	<u>(26,806)</u>	<u>–</u>	<u>534,067</u>
Total non-current liabilities	<u>560,873</u>	<u>(26,806)</u>	<u>–</u>	<u>534,067</u>
Net assets	<u>1,399,017</u>	<u>(82,418)</u>	<u>140,319</u>	<u>1,456,918</u>
EQUITY				
Equity attributable to owners of the Company				
Issued capital	97,788	(25,000)	25,000	97,788
Reserves	1,256,802	(49,726)	152,054	1,359,130
	<u>1,354,590</u>	<u>(74,726)</u>	<u>177,054</u>	<u>1,456,918</u>
Non-controlling interests	44,427	(7,692)	(36,735)	–
Total equity	<u>1,399,017</u>	<u>(82,418)</u>	<u>140,319</u>	<u>1,456,918</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
**Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Remaining
Group**
For the Year Ended 31 March 2016

	Pro forma adjustments						The
	The						Remaining
	Group (audited)						Group (unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Note 4	Note 5	Note 6	Note 7	Note 8	Note 9		
REVENUE	904,421	(812,470)	(484)	-	76	-	91,543
Cost of sales	(822,324)	765,653	-	-	-	-	(56,671)
Gross profit	82,097	(46,817)	(484)	-	76	-	34,872
Other income and gains	51,491	(2,475)	526	-	1,716	-	51,258
Fair value gain on investment properties, net	261,921	420	-	-	-	-	262,341
Administrative expenses	(101,332)	32,989	(42)	-	(1,792)	-	(70,177)
Other operating income/(expenses), net	(41,057)	3,911	-	-	-	156,826	119,680
Finance costs	(33,486)	467	-	-	-	-	(33,019)
Share of profits and losses of associates	483	-	-	3,385	-	-	3,868
PROFIT BEFORE TAX	220,117	(11,505)	-	3,385	-	156,826	368,823
Income tax expense	(72,331)	(840)	-	-	-	-	(73,171)
PROFIT FOR THE YEAR	<u>147,786</u>	<u>(12,345)</u>	<u>-</u>	<u>3,385</u>	<u>-</u>	<u>156,826</u>	<u>295,652</u>
Attributable to:							
Owners of the Company	140,998	(5,557)	-	3,385	-	156,826	295,652
Non-controlling interests	<u>6,788</u>	<u>(6,788)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>147,786</u>	<u>(12,345)</u>	<u>-</u>	<u>3,385</u>	<u>-</u>	<u>156,826</u>	<u>295,652</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
**Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the
Remaining Group**
For the Year Ended 31 March 2016

	The Group (audited)	Pro forma adjustments					The Remaining Group (unaudited)
	HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 7	HK\$'000 Note 8	HK\$'000 Note 9	HK\$'000
PROFIT FOR THE YEAR	<u>147,786</u>	<u>(12,345)</u>	<u>-</u>	<u>3,385</u>	<u>-</u>	<u>156,826</u>	<u>295,652</u>
OTHER COMPREHENSIVE INCOME							
Other comprehensive income to be reclassified to profit or loss in subsequent periods:							
Share of other comprehensive loss of associates	(991)	-	-	(326)	-	-	(1,317)
Exchange differences on translation of foreign operations	<u>(31,638)</u>	<u>1,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,390)</u>
Net other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods:	<u>(32,629)</u>	<u>1,248</u>	<u>-</u>	<u>(326)</u>	<u>-</u>	<u>-</u>	<u>(31,707)</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:							
Share of other comprehensive loss of associates	-	-	-	(197)	-	-	(197)
Surplus/(deficit) on revaluation of leasehold land and buildings	(3,002)	757	-	-	-	-	(2,245)
Income tax effect	<u>655</u>	<u>(125)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>530</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:	<u>(2,347)</u>	<u>632</u>	<u>-</u>	<u>(197)</u>	<u>-</u>	<u>-</u>	<u>(1,912)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(34,976)</u>	<u>1,880</u>	<u>-</u>	<u>(523)</u>	<u>-</u>	<u>-</u>	<u>(33,619)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>112,810</u>	<u>(10,465)</u>	<u>-</u>	<u>2,862</u>	<u>-</u>	<u>156,826</u>	<u>262,033</u>
Attributable to:							
Owners of the Company	107,394	(5,049)	-	2,862	-	156,826	262,033
Non-controlling interests	<u>5,416</u>	<u>(5,416)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>112,810</u>	<u>(10,465)</u>	<u>-</u>	<u>2,862</u>	<u>-</u>	<u>156,826</u>	<u>262,033</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
Unaudited Pro Forma Consolidated Statement of cash flows of the Remaining Group
For the Year Ended 31 March 2016

	The Group (audited)		Pro forma adjustments		The Remaining Group (unaudited)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 10</i>	<i>Note 11</i>	<i>Note 12</i>	<i>Note 7</i>	<i>Note 9</i>	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	220,117	(11,505)	–	3,385	156,826	368,823
Adjustments for:						
Finance costs	33,486	(467)	–	–	–	33,019
Share of profits and losses of associates	(483)	–	–	(3,385)	–	(3,868)
Interest income	(16,874)	255	–	–	–	(16,619)
Gain on disposal of equity investments at fair value through profit or loss	(70)	70	–	–	–	–
Fair value gain on investment properties, net	(261,921)	(420)	–	–	–	(262,341)
Dividend income	(764)	–	–	–	–	(764)
Loss on disposal of items of property, plant and equipment	43	(21)	–	–	–	22
Depreciation	6,849	(830)	–	–	–	6,019
Impairment of properties held for sale	35,574	–	–	–	–	35,574
Provision for inventories	1,980	–	–	–	–	1,980
Impairment of other receivables	2,112	–	–	–	–	2,112
Fair value gain on equity investments at fair value through profit or loss	(724)	724	–	–	–	–
Impairment/(reversal of impairment) of accounts receivable	3,903	(3,903)	–	–	–	–
Gain on disposal of the Deson Construction Group	–	–	–	–	(156,826)	(156,826)
Equity-settled share option expenses	5,954	(1,183)	–	–	–	4,771
	29,182	(17,280)	–	–	–	11,902
Increase in properties held for sale under development and properties held for sale	(85,058)	–	–	–	–	(85,058)
Decrease/(increase) in gross amount due from contract customers	(5,374)	4,591	–	–	–	(783)
Increase in inventories	(4,668)	–	–	–	–	(4,668)
Decrease/(increase) in accounts receivable	(55,754)	50,208	–	–	–	(5,546)

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
**Unaudited Pro Forma Consolidated Statement of cash flows of the Remaining Group
(continued)**
For the Year Ended 31 March 2016

	The Group (audited)		Pro forma adjustments			The Remaining Group (unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 10</i>	<i>Note 11</i>	<i>Note 12</i>	<i>Note 7</i>	<i>Note 9</i>	
Decrease in prepayments, deposits and other receivables	12,322	9,756	-	-	-	22,078
Increase/(decrease) in gross amount due to contract customers	26,459	(26,459)	-	-	-	-
Increase/(decrease) in accounts payable	17,485	(13,975)	-	-	-	3,510
Increase/(decrease) in other payables and accruals	152,471	(22,359)	-	-	-	130,112
Cash generated from/(used in) operations	87,065	(15,518)	-	-	-	71,547
Interest paid	(83,512)	1,394	-	-	-	(82,118)
Hong Kong taxes paid	(4,434)	4,434	-	-	-	-
Overseas taxes paid	(10,663)	828	-	-	-	(9,835)
Net cash flows used in operating activities	(11,544)	(8,862)	-	-	-	(20,406)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	16,874	(255)	-	-	-	16,619
Dividend received	764	-	-	-	-	764
Dividend received from associates	400	-	2,047	-	-	2,447
Purchases of items of property, plant and equipment	(970)	98	-	-	-	(872)
Proceeds from the Placing	-	-	-	-	60,000	60,000
Transaction costs of the Placing	-	-	-	-	(2,300)	(2,300)
Purchase of equity investments at fair value through profit or loss	(9,818)	9,818	-	-	-	-
Proceeds from disposal of equity investments at fair value through profit or loss	2,488	(2,488)	-	-	-	-
Proceeds from disposal of items of property, plant and equipment	10	(10)	-	-	-	-
Advances to associates, net	(140)	-	-	-	-	(140)
Increase in pledged deposits	(239,005)	53	-	-	-	(238,952)
Net cash flows from/(used in) investing activities	(229,397)	7,216	2,047	-	57,700	(162,434)

APPENDIX III

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

**Unaudited Pro Forma Consolidated Statement of cash flows of the Remaining Group
(continued)**

For the Year Ended 31 March 2016

	The Group (audited)		Pro forma adjustments		The Remaining Group (unaudited)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 10</i>	<i>Note 11</i>	<i>Note 12</i>	<i>Note 7</i>	<i>Note 9</i>	
CASH FLOWS FROM FINANCING ACTIVITIES						
Issue of shares	104,719	–	–	–	–	104,719
Share issue expenses	(2,506)	–	–	–	–	(2,506)
Repurchase of the Company's shares	(322)	–	–	–	–	(322)
Share repurchase expenses	(7)	–	–	–	–	(7)
New bank and other borrowings	483,275	(13,475)	–	–	–	469,800
Repayment of bank and other borrowings	(367,729)	17,109	–	–	–	(350,620)
Increase in amounts due from related companies	(868)	(287)	–	–	–	(1,155)
Dividends paid	(8,470)	4,000	–	–	–	(4,470)
Net cash flows from financing activities	208,092	7,347	–	–	–	215,439
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
	(32,849)	5,701	2,047	–	57,700	32,599
Cash and cash equivalents at beginning of year	63,054	(27,160)	–	–	–	35,894
Effect of foreign exchange rate changes, net	(702)	426	–	–	–	(276)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29,503	(21,033)	2,047	–	57,700	68,217
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the statement of financial position	57,689	(39,068)	2,047	–	57,700	78,368
Bank overdrafts, secured	(28,186)	18,035	–	–	–	(10,151)
Cash and cash equivalents as stated in the statement of cash flows	29,503	(21,033)	2,047	–	57,700	68,217

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

Notes:

- 1 The unaudited consolidated statement of financial position of the Group as at 30 September 2016 was extracted from the interim report for the six months ended 30 September 2016 dated 9 November 2016.
- 2 The adjustment reflects the exclusion of the assets and liabilities of the Deson Construction Group as if the Placing had taken place on 30 September 2016. The assets and liabilities of the Deson Construction Group as at 30 September 2016 were extracted from the unaudited consolidated statement of financial position of the Deson Construction Group as at 30 September 2016 as set out in Appendix II to the Circular, except for the following items with reconciliation as shown below:

	<i>HK\$'000</i>
Decrease in amount due from an investee of the Remaining Group as set out in Appendix III	100
Decrease in an amount due from a related party of the Remaining Group as set out in Appendix III	1,413
Increase in amounts due to associates of the Remaining Group as set out in Appendix III	<u>4,381</u>
	<u>5,894</u>
Decrease in amounts due from related companies of the Deson Construction Group as set out in Appendix II	<u>5,894</u>
	<i>HK\$'000</i>
Increase in amount due from the Deson Construction Group as set out in Appendix III	<u>12</u>
Decrease in amounts due to fellow subsidiaries of the Deson Construction Group as set out in Appendix II	14
Decrease in amounts due from fellow subsidiaries of the Deson Construction Group as set out in Appendix II	<u>(2)</u>
	<u>12</u>

The adjustment is not expected to have a continuing effect on the Remaining Group.

- 3 The adjustment represents (i) the estimated gross proceeds from the Placing of HK\$60 million; (ii) the estimated transaction costs directly attributable to the Placing of approximately HK\$2.3 million; (iii) the estimated fair value of the Group's retained 31.18% equity interest in Deson Construction at initial recognition of HK\$82.6 million, which will be accounted for as an investment in associate of the Remaining Group upon completion of the Placing; and (iv) the estimated gain on the disposal of Deson Construction of HK\$103.8 million as if the Placing had taken place on 30 September 2016.

The calculation of the estimated gain on the disposal of Deson Construction to be recognised in profit or loss, as if the Placing had taken place on 30 September 2016, is as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Cash consideration	<i>(i)</i>	60,000
De-recognition of the net assets of the Deson Construction Group as at 30 September 2016	<i>(ii)</i>	(82,418)
De-recognition of the Group's non-controlling interest in the Deson Construction Group	<i>(iii)</i>	44,427
Release of exchange fluctuation reserve of the Deson Construction Group	<i>(iv)</i>	1,426
Fair value of the Group's retained 31.18% equity interest in Deson Construction	<i>(v)</i>	<u>82,619</u>
Estimated gain on disposal as if the Placing had taken place on 30 September 2016 before transaction costs		106,054
Less: Estimated transaction costs	<i>(vi)</i>	<u>(2,300)</u>
Estimated gain on disposal as if the Placing had taken place on 30 September 2016, net of estimated transaction costs		<u><u>103,754</u></u>

Notes:

- (i) 200,000,000 shares of Deson Construction is expected to be placed based on the placing price (HK\$0.3 per share). Therefore, the gross proceeds from the Placing are estimated to be HK\$60 million.
- (ii) The amount of net assets of the Deson Construction Group was extracted from the unaudited consolidated statement of financial position of the Deson Construction Group as at 30 September 2016, as further set out in Appendix II.
- (iii) The amount of the Group's non-controlling interest in the Deson Construction Group was extracted from the unaudited consolidated statement of financial position as at 30 September 2016 as stated in the Group's interim report for the six months ended 30 September 2016 dated 9 November 2016, representing the entire balance of the Group's non-controlling interests as at 30 September 2016 as the Remaining Group did not have other non-wholly-owned subsidiaries as at 30 September 2016.
- (iv) The amount represents exchange fluctuation reserve of the Deson Construction Group to be released to profit or loss as if the Placing had taken place on 30 September 2016.
- (v) The amount represents the fair value of the Group's retained 31.18% equity interest in Deson Construction upon initial recognition of HK\$82.6 million, which will be accounted for as an investment in associate of the Remaining Group upon completion of the Placing. The Directors have assessed the estimated fair value of the Group's retained 31.18% equity interest in Deson Construction as at 30 September 2016 by reference to the closing price of the shares of Deson Construction as at 30 September 2016.
- (vi) The transaction costs represent professional fees directly attributable to the Placing which are estimated to be HK\$2,300,000 and it is assumed that the fees will be settled by cash.

Actual gain on disposal arising from the Placing depends on actual proceeds from the Placing, actual amount of net assets of the Deson Construction Group, actual amount of exchange fluctuation reserve of the Deson Construction Group to be released to profit or loss and the fair value of the Group's retained 31.18% equity interest of Deson Construction on the completion date. Therefore, the actual gain on disposal shall be different to the amount calculated in the above table.

- 4 The audited consolidated statement of profit or loss and the audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2016 were extracted from the annual report for the year ended 31 March 2016 dated 21 June 2016.
- 5 The adjustment reflects the exclusion of the result of the Deson Construction Group for the year ended 31 March 2016, which was extracted from the audited consolidated statement of profit or loss and the audited consolidated statement of comprehensive income of the Deson Construction Group for the year ended 31 March 2016 as set out in Appendix II to the Circular, assuming that the Placing had taken place on 1 April 2015, except for the following items with reconciliation as shown below:

	As per Appendix II HK\$'000	Reconciliation HK\$'000	As per Appendix III HK\$'000
Profit for the year attributable to owners of the Company	10,856	(5,299)	5,557
Profit for the year attributable to non-controlling interests	<u>1,489</u>	<u>5,299</u>	<u>6,788</u>
Total comprehensive income for the year attributable to owners of the Company	9,179	(4,130)	5,049
Total comprehensive income for the year attributable to non-controlling interests	<u>1,286</u>	<u>4,130</u>	<u>5,416</u>

The adjustment on profit for the year attributable to owners of the Company and total comprehensive income for the year attributable to owners of the Company, reflects the Company's equity interest of 51.18% in DCIHL upon completion, as if the Placing had taken place on 1 April 2015.

The adjustment is not expected to have a continuing effect on the Remaining Group.

- 6 The adjustment reflects the reversal of the elimination of management fee of HK\$42,000 between the Remaining Group and the Deson Construction Group for the year ended 31 March 2016, assuming the Placing had taken place on 1 April 2015.

The adjustment also includes a reclassification adjustment of HK\$484,000 arising from different classification of the rental income on the investment properties of the Deson Construction Group as if the Placing had taken place on 1 April 2015.

The adjustments are expected to have a continuing effect on the Remaining Group.

- 7 The adjustment on the share of result of the Deson Construction Group assumes the Placing had taken place on 1 April 2015 and the Deson Construction Group became associates of the Group. The share of result of the Deson Construction Group is calculated based on the Remaining Group's share of profit of the Deson Construction Group attributable to owners of Deson Construction of HK\$10.9 million in aggregate for the year ended 31 March 2016 as set out in Appendix II to this circular, as if the Placing had taken place on 1 April 2015 and the Remaining Group had retained a 31.18% equity interest in Deson Construction. The adjustment is expected to have a continuing effect on the Remaining Group.
- 8 The adjustment reflects the reversal of elimination of rental income charged by the Remaining Group to the Deson Construction Group for office area for the year ended 31 March 2016, as if the Placing had taken place on 1 April 2015. The adjustment is expected to have a continuing effect on the Remaining Group.
- 9 The adjustment represents (i) the estimated gross proceeds from the Placing of HK\$60 million; (ii) the estimated transaction costs directly attributable to the Placing of approximately HK\$2.3 million; (iii) the estimated fair value of the Group's retained 31.18% equity interest in Deson Construction at initial recognition of HK\$108.5 million, which will be accounted for as an investment in associate of the Remaining Group upon completion of the Placing; and (iv) the estimated gain on the disposal of Deson Construction of HK\$156.8 million as if the Placing had taken place on 1 April 2015. The adjustment is not expected to have a continuing effect on the Remaining Group.

APPENDIX III

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

The calculation of the estimated gain on the disposal of Deson Construction to be recognised in profit or loss, as if the Placing had taken place on 1 April 2015, is as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Cash consideration	<i>(i)</i>	60,000
De-recognition of the net assets of the Deson Construction Group as at 1 April 2015	<i>(ii)</i>	(28,258)
De-recognition of the Group's non-controlling interest in the Deson Construction Group	<i>(iii)</i>	16,337
Release of exchange fluctuation reserve of the Deson Construction Group	<i>(iv)</i>	2,551
Fair value of the Group's retained 31.18% equity interest in Deson Construction	<i>(v)</i>	<u>108,496</u>
Estimated gain on disposal as if the Placing had taken place on 1 April 2015, before transaction costs		159,126
Less: Estimated transaction costs	<i>(vi)</i>	<u>(2,300)</u>
Estimated gain on disposal as if the Placing had taken place on 1 April 2015, net of estimated transaction costs		<u><u>156,826</u></u>

Notes:

- (i) 200,000,000 shares of Deson Construction is expected to be placed based on the placing price (HK\$0.3 per share). Therefore, the gross proceeds from the Placing are estimated to be HK\$60 million.
- (ii) The amount of net assets of the Deson Construction Group was extracted from the audited consolidated statement of financial position of the Deson Construction Group as at 31 March 2015, as further set out in Appendix II.
- (iii) The amount of the Group's non-controlling interest in the Deson Construction Group was extracted from the audited consolidated statements of financial positions as at 1 April 2015 as stated in the Group's annual report for the year ended 31 March 2016 dated 21 June 2016, representing the entire balance of the Group's non-controlling interests as at 1 April 2015 as the Remaining Group did not have other non-wholly-owned subsidiaries as at 1 April 2015.
- (iv) The amount represents exchange fluctuation reserve of the Deson Construction Group to be released to profit or loss as if the Placing had taken place on 1 April 2015.
- (v) The amount represents the fair value of the Group's retained 31.18% equity interest in Deson Construction upon initial recognition of HK\$108.5 million, which will be accounted for as an investment in associate of the Remaining Group upon completion of the Placing. The Directors have assessed the estimated fair value of the Group's retained 31.18% equity interest in Deson Construction as at 1 April 2015 by reference to the closing price of the shares of Deson Construction as at 1 April 2015.
- (vi) The transaction costs represent professional fees directly attributable to the Placing which are estimated to be HK\$2,300,000 and it is assumed that the fees will be settled by cash.

Actual gain on disposal arising from the Placing depends on actual proceeds from the Placing, actual amount of net assets of the Deson Construction Group, actual amount of exchange fluctuation reserve of the Deson Construction Group to be released to profit or loss and the fair value of the Group's retained 31.18% equity interest of Deson Construction on the completion date. Therefore, the actual gain on disposal shall be different to the amount calculated in the above table.

- 10 The audited consolidated statement of cash flows of the Group for the year ended 31 March 2016 was extracted from the annual report for the year ended 31 March 2016 dated 21 June 2016.
- 11 The adjustment reflects the exclusion of the cash flows of the Deson Construction Group for the year ended 31 March 2016, which is extracted from the audited consolidated statement of cash flows for the Deson Construction Group for the year ended 31 March 2016 as set out in Appendix II to the Circular, as if the Placing had taken place on 1 April 2015 except for the following items with reconciliation as shown below:

	As per Appendix II HK\$'000	Reconciliation HK\$'000	As per Appendix III HK\$'000
- Decrease in movement in balances with related companies, net	(302)	302	-
- Increase in movement in balance with fellow subsidiaries	15	(302)	(287)
	<u>15</u>	<u>(302)</u>	<u>(287)</u>

The reconciliation is caused by the different classification of balances with related companies of the Group as if the Placing had taken place on 1 April 2015.

The adjustment is not expected to have a continuing effect on the Remaining Group.

- 12 The adjustment reflects the final dividend for the year ended 31 March 2015 declared and paid by Deson Construction to the Remaining Group during the year ended 31 March 2016, as if the Placing had taken place on 1 April 2015. The adjustment is expected to have a continuing effect on the Remaining Group.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The following is the text of a report received from the reporting accountants, Ernst & Young, in respect of the unaudited pro forma financial information of the Remaining Group as set out in this appendix and prepared for the sole purpose of inclusion in this Circular.



Ernst & Young	安永會計師事務所	Tel 電話: +852 2846 9888
22/F CITIC Tower,	香港中環添美道1號	Fax 傳真: +852 2868 4432
1 Tim Mei Avenue,	中信大廈22樓	ey.com
Central, Hong Kong		

To the Directors of Deson Development International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Deson Development International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2016, and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2016 and related notes as set out on pages III-3 to III-14 in Appendix III of the circular dated 24 February 2017 issued by the Company (the “Circular”) (the “Unaudited Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed placing of shares in Deson Construction International Holdings Limited as further set out in the Circular (the “Proposed Placing”) on the Group’s unaudited financial position as at 30 September 2016 and the Group’s unaudited financial performance and cash flows for the year ended 31 March 2016 as if the Proposed Placing had taken place at 30 September 2016 and 1 April 2015, respectively. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited interim financial statements for the six months ended 30 September 2016 on which no review report has been published and information about the Group’s financial performance and cash flows has been extracted by the Directors from the Group’s financial statements for the year ended 31 March 2016 on which an audit report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Placing on unadjusted financial information of the Group as if the Proposed Placing had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Placing would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Placing, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Placing in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

24 February 2017

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests of Directors and chief executive of the Company and associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company and each of their respective associates, in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

(i) *Interests in Shares and underlying Shares*

Name of Director	Number of Shares held, capacity and nature of interest		Number of underlying Shares in the Company	Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Options (Note 1)		
Mr. Tjia Boen Sien (Note 2)	68,661,600 (L)	349,935,000 (L)	320,000	418,916,600	42.84%
Mr. Lu Quanzhang	150,000 (L)	-	1,000,000	1,150,000	0.12%
Mr. Wang Jing Ning	22,259,400 (L)	-	4,000,000	26,259,400	2.69%
Mr. Tjia Wai Yip, William	2,400,000 (L)	-	4,000,000	6,400,000	0.65%
Dr. Raymond Ho, Chung Tai	727,500 (L)	-	320,000	1,047,500	0.11%
Ir Siu Man Po	920,000 (L)	-	320,000	1,240,000	0.13%
Mr. Siu Kam Chau	-	-	320,000	320,000	0.03%

Notes:

(L) denotes long position.

1 The options were granted on 17 April 2015 with consideration of HK\$1 under the share option scheme adopted by the Company on 15 August 2012. The above options could be exercised from the date of grant to 16 April 2018 in accordance with the rules of the share option scheme to subscribe for the Shares of the Company at an initial exercise price of HK\$0.71 per share.

2 Sparta is beneficially interested in 349,935,000 Shares of the Company.

(ii) *Long positions in ordinary shares of Deson Construction*

Name of Director	Name of shares held, capacity and nature of interest			Total	Percentage of the Deson Construction's issued share capital
	Directly beneficially owned	Through controlled corporation			
Mr. Tjia Boen Sien*	22,887,200	338,414,868 [#]		361,302,068	36.13%
Mr. Lu Quanzhang	50,000	-		50,000	0.01%
Ir Siu Man Po	150,000	-		150,000	0.02%

(iii) Long positions in ordinary shares of Sparta

Name of Director	Name of shares held, capacity and nature of interest			Percentage of Sparta's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*	1,000	–	1,000	100.00%

Notes:

- * Sparta is beneficially interested in 349,935,000 Shares of the Company.
- # Mr. Tjia Boen Sien beneficially owns all the shares in Sparta. Sparta directly beneficially owned 26,645,000 shares in Deson Construction and it beneficially owned 349,935,000 Shares in the Company, representing 35.79% of the issued share capital of the Company. By virtue of the SFO, Mr. Tjia is deemed to be interested in 338,414,868 shares in Deson Construction (being aggregate of 26,645,000 shares in Deson Construction held by Sparta and 311,769,868 shares in Deson Construction indirectly owned by the Company (through DDHL) which Sparta is deemed to be interested in).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (b) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and other person's interests and short positions in shares and underlying shares

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, each of the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company and were recorded in the register to be kept under section 336 of the SFO:

Long position:

Name	Capacity and nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Sparta (<i>Note 1</i>)	Beneficial owner	349,935,000	35.79%
Mr. Tjia Boen Sien	Interests of controlled corporation	349,935,000	35.79%
	Directly beneficially owned	68,661,600	7.02%
	Share options	320,000	0.03%
Granda Overseas Holding Co. Limited (" Granda ") (<i>Note 2</i>)	Beneficial owner	173,698,740	17.76%
Mr. Chen Huofa	Interests of controlled corporation	173,698,740	17.76%

Notes:

- 1 Sparta is beneficially interested in 349,935,000 Shares of the Company.
- 2 Granda, a company incorporated in the BVI and wholly owned by Mr. Chen Huofa, is beneficially interested in 173,698,740 Shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company or a member of the Group) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, save and except for information above, no other Director nor any parties acting in concert with any of them was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of Shares.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

4. DIRECTORS' INTERESTS IN THE ASSETS, CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors was materially interested in any contract or arrangement which was entered into by any member of the Group and subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

None of the Directors has or had any interest, direct or indirect, in any asset which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2016, being the date to which the latest published audited financial statements of the Group were made up.

5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) or have or may have any other conflict of interest with the Group pursuant to the Listing Rules.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against any member of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT AND EXPERT'S INTERESTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Messrs. Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, the expert:

- (a) was not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and
- (b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2016 (being the date up to which the latest published audited consolidated financial statements of the Company were made up).

As at the date of this circular, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and reference to its name included herein in the form and context in which it appears.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and which are, or may be, material to the Group:

- (a) the placing agreement dated 21 January 2015, entered into between Deson Construction and CNI Securities Group Limited, relating to the placing of 100,000,000 Shares at the placing price of HK\$0.72 per placing Shares, which was completed on 2 February 2015;
- (b) the memorandum of understanding dated 6 May 2015 entered into between Deson Construction and 江蘇樂生活電子商務有限公司 (Jiangsu Joy Life E-Commerce Co., Ltd.*) in respect of the proposed cooperation relating to the provision of all construction related services including but not limited to construction, fitting-out and maintenance services to all new online to offline platform service centers to be constructed and provided by the Deson Construction Group in the PRC (including Hong Kong);
- (c) the underwriting agreement dated 27 November 2015 entered into between the Company and Koala Securities Limited, the underwriter, in relation to the underwriting arrangement in respect of the issue of not less than 325,960,133 offer Shares and not more than 330,670,133 offer Shares by the Company pursuant to the open offer on the basis of one offer Share for every two existing Shares to the qualifying shareholders at the offer price of HK\$0.32 per offer Share, which was completed on 8 January 2016;

* For identification purpose only

- (d) the placing agreement dated 29 March 2016 entered into between Deson Construction and Koala Securities Limited in relation to the placing of the unsecured, three-year maturity 2% coupon convertible bonds with a principal amount of HK\$30,900,000 issued by Deson Construction, which was completed on 18 April 2016;
- (e) the memorandum of understanding dated 18 May 2016 entered into between the Company, Deson Ventures Limited and Hoverjet Limited, as supplemented by the supplemental letters dated 8 June 2016, 15 July 2016, 15 August 2016 and 15 September 2016;
- (f) the shareholders' agreement dated 30 September 2016 entered into between Hoverjet Limited, Deson Venture Limited and New Leaves Limited relating to the management of the business of New Leaves Limited;
- (g) the sale and purchase agreement dated 30 September 2016 entered into between Deson Ventures Limited, the Company and New Leaves Limited, as supplemented by the supplemental letter dated 5 January 2017, in relation to the disposal of 1,170,000 shares of US\$10 each, fully paid-up and representing the entire issued share capital of Yew Siang Limited at the consideration of the sum of US\$ equivalent of approximately RMB82.1 million (equivalent to approximately HK\$98.5 million);
- (h) the shareholder loan agreement dated 30 September 2016 entered into between New Leaves Limited and Deson Ventures Limited relating to the interest-free shareholder loan of approximately US\$0.7 million granted by Deson Ventures Limited to New Leaves Limited;
- (i) the loan agreement dated 3 January 2017 entered into between Get Nice Finance Company Limited and Grand On Enterprise Limited, an indirect wholly-owned subsidiary of the Company, relating to an interest-bearing loan of HK\$20 million provided by Get Nice Finance Company Limited to Grand On Enterprise Limited; and
- (j) the Placing Agreement.

9. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Lam Wing Wai, Angus, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- (b) The head office and the principal place of business of the Company in Hong Kong are at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

- (c) The principal share registrars and transfer office of the Company in Bermuda are Estera Management (Bermuda) Limited at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The branch share registrars and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any Business Day at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong from the date of this circular and up to the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed "8. Material contracts" in this appendix;
- (c) the published audited consolidated financial statements of the Company for each of the three financial years ended 31 March 2014, 2015 and 2016 and published consolidated financial statements of the Company for the period ended 30 September 2016;
- (d) the report on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- (e) the letter of consent referred to in paragraph headed "7. Qualification and consent of expert and expert's interests" in this appendix;
- (f) the circular in relation to a major transaction of formation of a joint venture and disposal of a subsidiary and notice of special general meeting published by the Company on 24 October 2016; and
- (g) this circular.

NOTICE OF SGM



DESON DEVELOPMENT INTERNATIONAL HOLDINGS LIMITED

迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of Deson Development International Holdings Limited (“**Company**”) will be held at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Monday, 13 March 2017 at 10:30 a.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the placing of 200,000,000 ordinary shares of Deson Construction International Holdings Limited, a subsidiary of the Company held by Deson Development Holdings Limited (“**DDHL**”), a direct wholly-owned subsidiary of the Company, by Get Nice Securities Limited (the “**Placing Agent**” and the “**Placing**”, respectively) on a best efforts basis during the period commencing from the fulfilment or wavier of the conditions precedent as set out in the placing agreement entered into between DDHL and the Placing Agent on 11 January 2017 (the “**Placing Agreement**”, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose) at an aggregate consideration of HK\$60 million, and all transactions contemplated under the Placing Agreement be and are hereby approved and ratified; and the directors of the Company be and are hereby authorised to do all such acts and/or things and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the Placing Agreement as they may in their absolute discretion consider necessary, desirable or expedient to give effect to the Placing and Placing Agreement and the implementation of all transactions contemplated thereby and thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

By Order of the Board

Deson Development International Holdings Limited

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong, 24 February 2017

* *For identification purpose only*

NOTICE OF SGM

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
11th Floor
Nanyang Plaza
57 Hung To Road, Kwun Tong
Kowloon
Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the shareholder to speak at the Meeting. A proxy need not be a shareholder of the Company. A shareholder who is the holder of 2 or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting.
2. A form of proxy for use at the Meeting is enclosed. In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting thereof.
3. Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting or any adjournment thereof should such shareholder so wishes, and in such event, the instrument appointing a proxy shall be deemed revoked.
4. Where there are joint holders of any share of the Company, any one of such joint holder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders are present at the Meeting, the most senior holder shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand first on the register of shareholders of the Company in respect of the joint holding.
5. Pursuant to Bye-Law 69, the above resolutions put to vote at the Meeting shall be decided by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
6. If typhoon signal no.8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the websites of the Company at <http://www.deson.com> and the Stock Exchange at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled the Meeting.