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.

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)

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSALS OF 31.18% INTERESTS IN DESON CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED TO ENERGY LUCK LIMITED (2) PROPOSAL FOR DECLARATION OF SPECIAL DIVIDEND AND (3) NOTICE OF SPECIAL GENERAL MEETING

A letter from the Board is set out on pages 7 to 21 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 Tuesday, 11 June 2019 at 11:30 a.m. or any adjourned meeting thereof is set out on pages SGM-1 to SGM-3 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.

IMPORTANT NOTE

AS THE SALE AND PURCHASE COMPLETION IS SUBJECT TO THE FULFILLMENT OF THE CONDITIONS PRECEDENT SET OUT IN THE SALE AND PURCHASE AGREEMENT, INCLUDING THE APPROVAL OF THE SHAREHOLDERS, THE DISPOSAL MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

THE DISTRIBUTION OF SPECIAL DIVIDEND IS SUBJECT TO THE COMPLETION OF THE SALE AND PURCHASE AGREEMENT. AS SUCH, THE SPECIAL DIVIDEND MAY OR MAY NOT BE PAID. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

* *For identification purpose only*

24 May 2019

CONTENTS

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

"acting in concert"	has the same meaning as ascribed to it under the Takeovers Code
"associate(s)"	has the same meaning as ascribed to it under the Listing Rules
"Balance of Consideration"	the sum equivalent to the Consideration less the Deposit
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday, any public holiday in Hong Kong, and any day on which typhoon warning signal No.8 or above or the black rainstorm warning signal is hoisted during 9 a.m. to 5 p.m.) on which banks in Hong Kong are open for 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, 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), and is the holding company of DDHL
"Composite Offer Document"	the document proposed to be jointly issued by and on behalf of the Offeror and DCIHL to all DCIHL Shareholders in accordance with the Takeovers Code containing, among others, the terms and conditions of the Possible Offer, the form of acceptance and transfer of the DCIHL Shares in respect of the Possible Offer, the letter of advice of the DCIHL Independent Financial Adviser to the DCIHL Independent Board Committee in respect of the Possible Offer, and the letter of advice of the DCIHL Independent Board Committee to the DCIHL Shareholders as to whether the terms of the Possible Offer are fair and reasonable and as to acceptance

"Conditions Precedent"	the conditions precedent to the Sale and Purchase Completion
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"Consideration"	the consideration payable by the Purchaser for the Sale Shares pursuant to the Sale and Purchase Agreement
"DCIHL"	Deson Construction International Holdings Limited, 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 an indirect associated company of the Company as at the Latest Practicable Date
"DCIHL Board"	the board of directors of DCIHL
"DCIHL Directors"	the directors of DCIHL
"DCIHL Group"	DCIHL and its subsidiaries
"DCIHL Independent Board Committee"	the independent committee of the DCIHL Board (comprising one non-executive director and the three independent non-executive directors of DCIHL), namely, Mr. Ong King Keung, Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Chan Ka Yin, which has been formed to advise and give recommendation to the DCIHL Shareholders in respect of the Possible Offer
"DCIHL Independent Financial Adviser"	the independent financial adviser appointed by the DCIHL Independent Board Committee to advise the DCIHL Independent Board Committee in respect of the Possible Offer
"DCIHL Share(s)"	share(s) of HK$0.025 each in the share capital of DCIHL
"DCIHL Shareholders"	the shareholders of DCIHL
"DDHL"	Deson Development Holdings Limited, a company incorporated in the BVI with limited liability and is a direct wholly-owned subsidiary of the Company, which held as to 311,769,867 DCIHL Shares representing approximately 31.18% of the entire issued share capital of DCIHL as at the Latest Practicable Date
"Deposit"	a deposit of HK$7,948,645.80 being equivalent to 10% of the Consideration (including the Earnest Sum) paid by the Purchaser to the Vendors upon the signing of the Sale and Purchase Agreement pursuant to the Sale and Purchase Agreement. Upon the Sale and Purchase Completion, the Deposit will be applied towards the Consideration for the Sale Shares

"Directors"	directors of the Company
"Disposal"	the disposal of 311,769,867 DCIHL Shares (being part of the Sale Shares) by DDHL to the Offeror as contemplated under the Sale and Purchase Agreement
"Earnest Sum"	an aggregate amount of HK$2,000,000, has been paid to the Vendors in proportionate to the percentage of their Sale Shares
"Encumbrance"	any security arrangement, claim, encumbrance, equity, mortgage, option to subscribe or acquire, charge, pledge, lien or other third party right of any kind
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
"Group"	the Company together with its subsidiaries
"Guarantor" or "Mr. Wong"	Mr. Wong Kui Shing, Danny, being the ultimate beneficial owner of the Purchaser
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons
"Joint Announcement"	the joint announcement made by the Company, DCIHL and the Purchaser on 12 April 2019 in relation to, *inter alia*, the Sale and Purchase Agreement and the Possible Offer
"Last Trading Day"	12 April 2019, being the last trading day prior to the publication of the Joint Announcement
"Latest Practicable Date"	20 May 2019, 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
"Long Stop Date"	30 June 2019 (or such other later date as may be agreed by the Purchaser and the Vendors)
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the main board of the Stock Exchange
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
"MOU"	the memorandum of understanding entered into between DDHL, Sparta, Mr. Tjia, the Purchaser and Mr. Wong relating to the possible sale and purchase of the Sale Shares on 21 February 2019
"Mr. Tjia"	Mr. Tjia Boen Sien, the managing director and deputy chairman of the Company and a non-executive director and chairman of DCIHL, which is a controlling shareholder of the Company and who held as to 22,887,200 DCIHL Shares representing approximately 2.29% of the entire issued share capital of DCIHL as at the Latest Practicable Date
"Offer Price"	the purchase price per DCIHL Share of HK$0.22 payable in cash by the Purchaser to the DCIHL Shareholders under the Possible Offer
"Parties"	DDHL, Sparta, Mr. Tjia, the Purchaser and the Guarantor, being the parties to the Sale and Purchase Agreement
"Possible Offer" or "Offer"	the conditional mandatory cash offer to be made by Glory Sun Securities Limited for and on behalf of the Offeror for all the issued DCIHL Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it in accordance with the Takeovers Code
"PRC" or "China"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
"Purchaser" or "Energy Luck" or "Offeror"	Energy Luck Limited, a company incorporated in the BVI with limited liability which is wholly-owned by the Guarantor
"Remaining Group"	the Group excluding DCIHL Group on the assumption that the Sale and Purchase Completion had taken place

"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 12 April 2019 entered into among DDHL, Sparta, Mr. Tjia, the Purchaser and Mr. Wong for the sale and purchase of the Sale Shares
"Sale and Purchase Completion"	completion of the Sale and Purchase Agreement
"Sale and Purchase Completion Date"	the date of completion of the Sale and Purchase Agreement
"Sale Price"	the sale price of the Sale Share, being HK$0.22 per Sale Share
"Sale Share(s)"	the 361,302,082 DCIHL Shares (representing approximately 36.13% of the issued share capital of DCIHL as at the Latest Practicable Date) agreed to be sold by DDHL, Sparta and Mr. Tjia to the Purchaser under the Sale and Purchase Agreement
"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 Tuesday, 11 June 2019 at 11:30 a.m. or any adjourned meeting the details of which are set out on pages SGM-1 to SGM-3 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 Shares
"Sparta"	Sparta Assets Limited, a company incorporated in BVI and wholly-owned by Mr. Tjia, an executive Director of the Company, which held as to 26,645,015 DCIHL Shares representing approximately 2.66% of the entire issued share capital of DCIHL as at the Latest Practicable Date
"Special Dividend"	a special dividend of HK$0.005 per Share in the aggregate amount of approximately HK$5 million (assuming no further changes to the issued Shares from the Latest Practicable Date to the date when the Special Dividend is paid), representing part of the proceeds from the Disposal
"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
"Takeovers Code"	the Code on Takeovers and Mergers issued by SFC as amended from time to time
"Vendors"	collectively, DDHL, Sparta and Mr. Tjia
"%"	per cent

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

Independent non-executive Directors:
Dr. Ho Chung Tai, Raymond
Ir Siu Man Po
Mr. Siu Kam Chau

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

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

24 May 2019

To the Shareholders

Dear Sirs,

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSALS OF 31.18% INTERESTS IN DESON CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED TO ENERGY LUCK LIMITED (2) PROPOSAL FOR DECLARATION OF SPECIAL DIVIDEND AND (3) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Possible Offer.

* *For identification purpose only*

The Sale and Purchase Agreement

The Offeror, the Company and DCIHL jointly announced that on 12 April 2019 (after trading hours), the Offeror as purchaser, DDHL (a wholly-owned subsidiary of the Company), Sparta and Mr. Tjia as sellers and Mr. Wong as guarantor, entered into the Sale and Purchase Agreement, pursuant to which, each of DDHL, Sparta and Mr. Tjia has conditionally agreed to sell, and the Offeror has conditionally agreed to purchase the Sale Shares, being in aggregate 361,302,082 DCIHL Shares, representing approximately 36.13% of the issued share capital of DCIHL as at the Latest Practicable Date, at the Consideration of HK$79,486,458.04 (representing a purchase price of HK$0.22 per Sale Share).

The Sale and Purchase Completion is conditional upon fulfilment (or, if applicable, waiver) of the conditions described in the paragraph headed "Conditions Precedent" in this section of this circular. The Sale and Purchase Completion shall take place on the fifth (5th) Business Day following the day on which the Conditions Precedent have been fulfilled (or, where applicable, waived) (or such later date as Vendors and the Offeror may agree in writing, and in any event no later than the Long Stop Date).

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal, exceed 75%, the Disposal, constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

An ordinary resolution will be proposed for approval by the Shareholders at the SGM. As at the Latest Practicable Date, Mr. Tjia and Sparta collectively held approximately 42.81% of the total issued share capital of the Company where 68,661,600 Shares, representing approximately 7.02% of the total issued share capital of the Company, were directly held by Mr. Tjia and 349,935,000 Shares, representing approximately 35.79% of the total issued share capital of the Company, were held by Mr. Tjia through Sparta. Mr. Tjia and Sparta control or are entitled to exercise control in respect of their respective Shares. As both Mr. Tjia and Sparta being the Vendors and holding an aggregate of 49,532,215 DCIHL Shares, representing approximately 4.95% of the issued share capital of DCIHL as at the Latest Practicable Date, they are regarded as having interests in the Disposal. Accordingly, Mr. Tjia and Sparta shall therefore abstain from voting at the SGM in respect of the ordinary resolution for approving the Disposal.

The Possible Offer

As at the Latest Practicable Date, the Offeror and parties acting in concert with it are not interested in the share capital or voting rights of DCIHL, other than the interest in the Sale Shares under the Sale and Purchase Agreement. Immediately after the Sale and Purchase Completion, the Offeror and parties acting in concert with it will be interested in a total of 361,302,082 DCIHL Shares, representing approximately 36.13% of the issued share capital of DCIHL as at the Latest Practicable Date. Pursuant to Rules 26.1 of the Takeovers Code, immediately following the Sale and Purchase Completion, the Offeror and the parties acting in concert with it will be required to make the Offer (other than those DCIHL Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Subject to the Sale and Purchase Completion, Glory Sun Securities Limited, on behalf of the Offeror and in compliance with the Takeovers Code, will make the Offer on the terms to be set out in the Composite Offer Document to be issued in accordance with the Takeovers Code on the following basis:

For each DCIHL Share accepted under the Offer. . . . . HK$0.22 in cash

The Offer Price of HK$0.22 per DCIHL Share is the same as the price per DCIHL Sale Share paid by the Offeror to the Vendors under the Sale and Purchase Agreement.

As at the Latest Practicable Date, there are a total of 1,000,000,000 DCIHL Shares in issue. Save for the aforesaid, there are no outstanding warrants, options, derivatives or securities convertible into DCIHL Shares and DCIHL has not entered into any agreement for the issue of such securities, options, derivatives or warrants of DCIHL as at the Latest Practicable Date. Save for the Offeror's interest in the Sale Shares pursuant to the Sale and Purchase Agreement, the Offeror and parties acting in concert with it do not own, have control or direction over or hold any voting rights or rights over the DCIHL Shares or convertible securities, warrants or options of DCIHL as at the Latest Practicable Date.

As the Offeror and parties acting in concert with it will own 361,302,082 DCIHL Shares immediately after the Sale and Purchase Completion, assuming that there is no change in the issued share capital of DCIHL up to the making of the Offer, a total of 638,697,918 DCIHL Shares will be subject to the Offer. On the basis of full acceptance of the Possible Offer, the cash consideration payable by the Offeror would be HK$140,513,541.96 for the Offer.

The details of the Possible Offer, a letter of advice from the DCIHL Independent Board Committee in relation to the Possible Offer and a letter of advice from the DCIHL Independent Financial Adviser appointed to advise the DCIHL Independent Board Committee in respect of the Possible Offer will be disclosed in the Composite Offer Document to be despatched.

Purpose of this circular

The purpose of this circular is to provide you with, among other things, (i) the details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the financial information of DCIHL Group; (iv) the unaudited pro forma financial information of the Remaining Group; and (v) the notice of SGM together with the proxy form and other information as required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date: 12 April 2019

Parties: (1) the Vendors;
(2) the Purchaser; and
(3) the Guarantor.

As at the Latest Practicable Date, DDHL, Sparta and Mr. Tjia held 311,769,867 DCIHL Shares, 26,645,015 DCIHL Shares and 22,887,200 DCIHL Shares, representing approximately 31.18%, 2.66% and 2.29% of the issued share capital of DCIHL, respectively.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Offeror and the Guarantor is (i) a third party independent of and not connected with DCIHL, the Company and their respective connected persons; and (ii) not acting in concert with DDHL, Sparta and Mr. Tjia or parties acting in concert with them as at the Latest Practicable Date.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Vendors as sellers have agreed to sell, and the Offeror as purchaser has agreed to purchase, the Sale Shares, representing approximately 36.13% of the total issued capital of the DCIHL, free from all Encumbrances and together with all rights attaching to them at the Sale and Purchase Completion Date at a cash consideration of HK$0.22 per DCIHL Share as follows:

Vendors	**As at the date of the Latest Practicable Date**		**Share purchase**	
	Number of DCIHL Shares held	**Approximately percentage of issued share capital**	**Number of Sale Shares to be sold to the Offeror**	**Purchase Price payable by the Offeror** *(HK$)*
DDHL	311,769,867	31.18%	311,769,867	68,589,370.74
Sparta	26,645,015	2.66%	26,645,015	5,861,903.30
Mr. Tjia	22,887,200	2.29%	22,887,200	5,035,184.00
Total	**361,302,082**	**36.13%**	**361,302,082**	**79,486,458.04**

Consideration

The total Consideration of approximately HK$79.5 million (representing a purchase price of HK$0.22 per DCIHL Share), is payable as follows:

(i) the Earnest Sum has been paid to the Vendors proportionate to their respective percentage of the Sale Shares on the date of the MOU;

(ii) a sum equivalent to the Deposit less the Earnest Sum has been paid to the Vendors proportionate to their respective percentage of the Sale Shares on the date of the Sale and Purchase Agreement; and

(iii) the Balance of Consideration shall be paid by a cashier's order drawn from a licensed bank in Hong Kong and made payable to the Vendors proportionate to their respective percentage of the Sale Shares at the Sale and Purchase Completion.

The purchase price of HK$0.22 per DCIHL Share represents:

(a) a premium of approximately 7.8% over the closing price of HK$0.204 per DCIHL Share as quoted on GEM of the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 15.2% over the closing price of HK$0.191 per DCIHL Share as quoted on GEM of the Stock Exchange on the Last Trading Day;

(c) a premium of approximately 13.5% over the average of the closing prices of DCIHL Share as quoted on GEM the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day, being HK$0.194 per DCIHL Share;

(d) a premium of approximately 14.5% over the average of the closing prices of the DCIHL Share as quoted on GEM of the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day, being HK$0.192 per DCIHL Share;

(e) a premium of approximately 16.1% over the average of the closing prices of the DCIHL Share as quoted on GEM of the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day, being HK$0.190 per DCIHL Share;

(f) a premium of approximately 59.4% over the audited consolidated net asset value attributable to the DCIHL Shareholders of approximately HK$0.138 per DCIHL Share as at 31 March 2018 (based on the annual report of DCIHL dated 21 June 2018);

(g) a premium of approximately 65.4% over the unaudited consolidated net asset value attributable to the DCIHL Shareholders of approximately HK$0.133 per DCIHL Share as at 30 September 2018 (based on the interim report of DCIHL dated 7 November 2018); and

(h) a premium of approximately 74.6% over the unaudited consolidated net asset value attributable to the DCIHL Shareholders of approximately HK$0.126 per DCIHL Share as at 31 December 2018 (based on the third quarterly report of DCIHL dated 11 February 2019).

The Consideration was determined after arm's length negotiations between the Vendors and the Offeror taking into account factors including but not limited to (i) the prevailing market price of the DCIHL Shares; (ii) the unaudited consolidated net asset value of the DCIHL Group as at 31 December 2018 of HK$0.122 per DCIHL Share; and (iii) the financial performance of the DCIHL Group (as elaborated below).

The financial performance of the DCIHL Group has been deteriorating since March 2017. DCIHL Group's profit for the year ended 31 March 2018 decreased by approximately HK$38 million, to approximately HK$28.7 million compared with the profit of approximately HK$66.8 million for the year ended 31 March 2017. Further, DCIHL Group has an unaudited loss for the nine months ended 31 December 2018 of approximately HK$15.6 million. The aforesaid decreases were mainly due to (i) the escalating material and labour costs which could not be passed to customers in the construction segment; and (ii) the decrease in the contribution from securities investments made by DCIHL Group as the global economic conditions and the stock market in Hong Kong remained volatile in 2018.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal, including the purchase price of HK$0.22 per DCIHL Share, are fair and reasonable.

If the Sale and Purchase Completion does not take place as a result of any of the Conditions Precedent below not being fulfilled (or waived pursuant to the Sale and Purchase Agreement) by the Long Stop Date (in each case other than as a result of any material breach on the part of the Offeror of the Sale and Purchase Agreement), the Vendors shall return, or procure the return of, the Deposit (without interest) to the Offeror forthwith.

Conditions Precedent

The Sale and Purchase Completion is conditional upon the following Conditions Precedent being fulfilled or waived (as the case may be) in full:

(a) the shareholders' approval of the Company approving the disposal of 311,769,867 DCIHL Shares, the entering into by DDHL of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained in accordance with the requirements of the Listing Rules;

(b) the current listing of the DCIHL Shares not having been withdrawn, the DCIHL Shares continuing to be traded on GEM of the Stock Exchange prior to the Sale and Purchase Completion Date (save for any temporary suspension for no longer than ten consecutive trading days or such other period as the Offeror may agree in writing or the temporary suspension in connection with transactions contemplated under the Sale and Purchase Agreement) and neither the Stock Exchange nor the SFC having indicated that either one of them will object to such continued listing for reasons related to or arising from the transactions contemplated under the Sale and Purchase Agreement;

(c) there not having occurred any event or series of events since the date of the Sale and Purchase Agreement which, individually or collectively, would probably have a material adverse effect on the business or financial positions of the DCIHL Group, or which would materially adversely affect DCIHL's ability to perform its obligations under the Sale and Purchase Agreement or the transactions contemplated thereunder. For this purpose, a "material adverse effect" means any event or series of events which individually or collectively caused DCIHL Group taken as a whole, to incur or suffer a liability or loss in value of a sum in excess of HK$20,000,000; and

(d) DCIHL having maintained the public float of not less than 25% in accordance with the GEM Listing Rules and its listing status on GEM of the Stock Exchange from the date of the Sale and Purchase Agreement to the Sale and Purchase Completion Date.

The Offeror may fully or partially waive, conditionally or unconditionally, any of the Conditions Precedent (except the Conditions Precedent in item (a) above which cannot be waived).

Each of the Vendors shall use their respective best endeavours to procure (so far as it is within their power and capacity to procure) the fulfilment of the Conditions Precedent as soon as practicable, and in any event, on or before the Long Stop Date (or such other date as the Parties may agree in writing).

In the event that any of the Conditions Precedent shall not have been fulfilled (or waived pursuant to the Sale and Purchase Agreement) by the Long Stop Date (in each case other than as a result of any material breach on the part of the Offeror of the Sale and Purchase Agreement), then none of the Parties shall be bound to proceed with the Disposal and the Sale and Purchase Agreement shall be terminated and cease to be of any effect and the Vendors shall return, or procure the return of, the Deposit (without interest) to the Offeror and thereafter, none of the Parties shall have any rights against any other party except for (where applicable) liability for any antecedent breach of its obligations under the Sale and Purchase Agreement.

As at the Latest Practicable Date, none of the Conditions has been fulfilled.

Sale and Purchase Completion

The Sale and Purchase Completion is to take place on the fifth (5th) Business Day following the day on which the last of the Conditions Precedent having been fulfilled or waived by the Offeror (as the case may be), or such other date as the Parties may agree in writing, and in any event, not later than the Long Stop Date.

Guarantee

Pursuant to the Sale and Purchase Agreement, the Guarantor as guarantor of the Offeror has irrevocably and unconditionally guaranteed the payment obligations of the Offeror under the Sale and Purchase Agreement. If the Offeror fails to make any payment to the Vendors pursuant to the Sale and Purchase Agreement, the Guarantor shall immediately on demand and without deduction or withholding pay such amount as if it was the principal obligor.

Specific warranties

The Offeror and the Guarantor have undertaken to the Vendors that as soon as practicable after the Sale and Purchase Completion Date but no later than 3 months after the Sale and Purchase Completion Date, the Purchaser shall procure DCIHL to change its English and Chinese names as soon as practicable and cease to use the names "Deson Construction International Holdings Limited" and "迪臣建設國際集團有限公司" thereafter.

SHAREHOLDING STRUCTURE OF DCIHL

The following table sets out the shareholding structure of DCIHL (based on information received by DCIHL and notified pursuant to Part XV of the SFO as at the Latest Practicable Date) immediately before and after the Sale and Purchase Completion (assuming that there are no changes other than those contemplated in the Sale and Purchase Agreement):

	Immediately before the Sale and Purchase Completion		**Immediately after the Sale and Purchase Completion**	
	No. of DCIHL Shares	*Approximate %*	*No. of DCIHL Shares*	*Approximate %*
DDHL and parties acting in concert with it *(Note 1)*	311,769,867	31.18	—	—
Sparta *(Note 2)*	26,645,015	2.66	—	—
Mr. Tjia *(Note 2)*	22,887,200	2.29	—	—
DCIHL Directors:				
Kwok Koon Keung *(Note 3)*	500	0.00	500	0.00
Ong Chi King *(Note 4)*	8,802,000	0.88	8,802,000	0.88
The Offeror and parties acting in concert with it	—	—	361,302,082	36.13
Public	629,895,418	62.99	629,895,418	62.99
Total	1,000,000,000	100.00	1,000,000,000	100.00

Notes:

1. DDHL is a company incorporated in the BVI and is wholly-owned by the Company. The Company is deemed to be interested in the DCIHL Shares owned by DDHL.

2. Mr. Tjia directly beneficially owns 22,887,200 DCIHL shares and directly beneficially owns all the shares in Sparta, a company incorporated in the BVI. Sparta directly beneficially owns 26,645,015 DCIHL Shares and it beneficially owns 349,935,000 shares in the Company, representing approximately 35.79% of the issued share capital in the Company. By virtue of the SFO, Mr. Tjia is deemed to be interested in 338,414,882 DCIHL Shares (being the aggregate of 26,645,015 DCIHL Shares held by Sparta and 311,769,867 DCIHL Shares indirectly owned by the Company (through DDHL) which Sparta is deemed to be interested in).

3. Mr. Kwok Koon Keung is an executive director of DCIHL.

4. Mr. Ong Chi King is an executive director of DCIHL.

INFORMATION ON DCIHL AND THE DCIHL GROUP

DCIHL is an investment holding company and the principal activities of its subsidiaries consist of (a) the construction business, as a main contractor and fitting-out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau, and other construction related business; (b) investment in securities; and (c) investment in properties.

The following table sets out the breakdown of turnover of DCIHL Group by business segments for the two years ended 31 March 2018, for the six months ended 30 September 2018 and for the nine months ended 31 December 2018:

	For the year ended 31 March 2017 *HK$'000* (audited)	Percentage	For the year ended 31 March 2018 *HK$'000* (audited)	Percentage	For the six months ended 30 September 2018 *HK$'000* (unaudited)	Percentage	For the nine months ended 31 December 2018 *HK$'000* (unaudited)	Percentage
Construction contracting and related business	872,762	95%	748,651	95%	360,338	101%	507,390	101%
Investment in securities	45,042	5%	43,359	5%	(3,396)	–1%	(4,260)	–1%
Property investment	—	0%	—	0%	178	0%	316	0%
	917,804		792,010		357,120		503,446	

FINANCIAL INFORMATION OF DCIHL AND THE DCIHL GROUP

Set out below is the consolidated financial information of DCIHL Group for the two years ended 31 March 2018, for the six months ended 30 September 2018 and for the nine months ended 31 December 2018, respectively, prepared under HKFRS:

	For the year ended 31 March 2017 *HK$'000* (audited)	For the year ended 31 March 2018 *HK$'000* (audited)	For the six months ended 30 September 2018 *HK$'000* (unaudited)	For the nine months ended 31 December 2018 *HK$'000* (unaudited)
Net profit/(loss) before taxation	68,808	29,647	(6,710)	(15,514)
Net profit/(loss) after taxation	66,774	28,742	(6,688)	(15,598)

As at 31 December 2018, the unaudited consolidated net asset value of DCIHL Group was approximately HK$104 million.

INFORMATION OF THE COMPANY AND DDHL

The Company is an investment holding company and the principal activities of its subsidiaries consist of (a) property development and investment; and (b) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services.

DDHL is a direct wholly-owned subsidiary of the Company, which is an investment holding company.

INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI on 6 March 2018 and is wholly-owned by Mr. Wong, who is also the sole director of the Offeror.

Mr. Wong, aged 59, holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market. He is currently the chairman and chief executive officer of the China Information Technology Development Limited (Stock Code: 8178), an executive director of Huiyin Holdings Group Limited (Stock Code: 1178) and Larry Jewelry International Company Limited (Stock Code: 8351), a non-executive director of TFG International Group Limited (Stock Code: 542), and an independent non-executive director of Tech Pro Technology Development Limited (Stock Code: 3823) and Far East Holdings International Limited (Stock Code: 36). Though Mr. Wong did not have direct experience in the construction sector, he has extensive experience in the financial and investment fields as well as experience in corporate and business management in listed companies, as disclosed above. Mr. Wong has carefully assessed his current business and investment portfolio and decided to invest in the construction business in order to widen variety of his investments and diversify investment risk in his investment portfolio. Mr. Wong intends to retain the management and experienced staff of DCIHL to leverage on their expertise in construction industry to run the construction operation.

As at the Latest Practicable Date, the sole director of the Offeror is the Guarantor. Save for the Offeror's interest in the Sale Shares pursuant to the Sale and Purchase Agreement, the Offeror, its ultimate beneficial owner and the parties acting in concert with it do not hold any DCIHL Shares or any other securities of DCIHL as at the Latest Practicable Date.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Offeror and its ultimate beneficial owner(s) are Independent Third Parties.

FINANCIAL EFFECT OF THE DISPOSAL

According to the audited financial statements of DCIHL Group, the consolidated net assets value of DCIHL Group was approximately HK$135.3 million as at 31 March 2018.

The Sale Price of the Sale Shares was arrived at after arm's length negotiations, with reference to (i) the prevailing market price of DCIHL Shares after taking into account the unaudited consolidated net asset value of DCIHL Group as at 31 December 2018; and (ii) the deteriorating financial performance of DCIHL Group since March 2017. The Disposal enables the Company to realise all its share investment in DCIHL with an estimated loss of approximately HK$29.9 million, which is calculated by deducting the gross proceeds of approximately HK$68.6 million (based on the Offer Price) with (a) the share of exchange fluctuation reversal of DCIHL Group of approximately HK$660,000; (b) the carrying amount of equity interest in DCIHL Group of the Group as at 31 December 2018 of approximately HK$97.0 million; and (c) the estimated transaction cost directly attributed to the Disposal of approximately HK$2.2 million. However, if the Group only considered its investment in DCIHL without taking into account of the goodwill of DCIHL Group of approximately HK$64.7 million, the Group would have an estimated gain of approximately HK$34.8 million arising from the Disposal.

Shareholders and investors should note that the exact amount of the loss on the Disposal to be recorded in the consolidated statement of profit or loss of the Group for the year ending 31 March 2020 is subject to audit, and will be calculated based on the net assets value of the DCIHL Group as at the Sale and Purchase Completion Date and net of any incidental expenses and therefore may be varied from the amount mentioned above.

USE OF PROCEEDS

The net proceeds to be received from the Disposal of approximately HK$66.4 million will be used as to around 30% or approximately HK$20 million to the development and expansion to the existing property development and investment business, as to around 45% or approximately HK$30 million for the repayment of bank loans and the remaining amount to be applied for the general working capital of the Group to strengthen the capital base of the Group and for the Special Dividend of approximately HK$5 million. The amount of the Special Dividend is subject to the board meeting of the Company after the Sale and Purchase Completion. Save for the Disposal, as at the Latest Practicable Date, the Company does not have any intention or negotiation to enter into any agreement, arrangement or understanding regarding any potential acquisition(s)/disposal(s).

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Boards considers that the Disposal provides an attractive exit opportunity for the Group to realise its long term investment in DCIHL Group. The Disposal enables the Group to recycle capital into existing property development and investment business. The Directors are of the view that the Disposal will benefit the Group by realising its investment and also strengthen the liquidity and overall financial position of the Group.

In addition, the Board has also considered the deteriorating financial performance of DCIHL Group since March 2017. The estimated loss of approximately HK$30 million from the Disposal is mainly attributable to a non-cash accounting treatment arising from the recognition of goodwill of DCIHL Group of approximately HK$64.7 million to comply with the requirements of HKFRS after DCIHL became an associate of the Company on 31

March 2017. If the Company does not take into account of the aforesaid accounting treatment, the Company would have recognised a gain of approximately HK$34.8 million from the Disposal.

Having regards to the prevalent unstable economy and financial market conditions, the purpose of use of proceeds for development and expansion of the existing businesses, for general working capital purpose and for the return to the Shareholders, the Board (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement, the Sale Price and the Disposal, which have been determined on an arm's length basis, are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

It is the present plan to use a sum of approximately HK$5 million from the net sale proceeds to be received from the Disposal for the Special Dividend referred to below to provide cash return to the Shareholders and a sum of HK$20 million therefrom to fund the development and expansion of the existing businesses and balance of the net sale proceeds will be used to strengthen the Company's general working capital and cash flow position.

As at the Latest Practicable Date, the Group did not have any plan nor have entered into any agreement, arrangement, understanding, intention or negotiation on (i) any disposal, termination and/or scaling-down of the existing business (including the Group's property investments) and major assets; and/or (ii) any acquisition and/or investment in new business and/or material assets. The Group will comply with the relevant requirements under the Listing Rules in the event of any of such transactions are entered into.

Special Dividend

The Company proposes that conditional upon the Sale and Purchase Completion having taken place, the Special Dividend will be paid to all Shareholders whose names appear in the register of members of the Company on a record date to be fixed and announced on the following basis:

For each Share held . . . . HK$0.005

The Special Dividend will be paid out of the net sale proceeds received from the Disposal. Further details of the record date, the payout date of the Special Dividend and the book closure date will be announced after the Sale and Purchase Completion in due course.

WARNING

The special cash interim dividend is a possible special dividend and will only be made if the Sale and Purchase Completion takes place, which is conditional upon satisfaction of the Conditions Precedent. The Sale and Purchase Completion may or may not take place and accordingly, the special cash interim dividend may or may not be paid.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. If Shareholders and potential investors are in any doubt as to their position or the action they should take, they should consult their licensed security dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

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 respect of the Disposal, exceed 75%, the Disposal, constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

SGM

The SGM will be convened and held at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Tuesday, 11 June 2019 at 11:30 a.m. to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder and the proposal for distribution of the Special Dividend by way of poll, the results of which will be announced after the SGM. A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular.

Sparta and Mr. Tjia and their respective associates are considered to have material interests in the Disposal and therefore will abstain from voting in the SGM in respect of the resolutions approving the Disposal. To the best of the knowledge of the Directors, save as aforementioned, no other Shareholder has material interest in the transaction and no other Shareholder is required to abstain from voting at the SGM.

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 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 Sale and Purchase Agreement, the Sale Price and the Disposal 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 Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM (including the proposal for distribution of the Special Dividend).

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 2016, 2017 AND 2018 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2018

Details of the published financial information of the Group for each of the three years ended 31 March 2016, 2017 and 2018 are disclosed in the annual reports of the Company for the three years ended 31 March 2016, 2017 and 2018, 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 2016 published on 7 July 2016 (pages 44 to 128)

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0707/LTN20160707544.pdf;

- annual report of the Company for the year ended 31 March 2017 published on 12 July 2017 (pages 52 to 140)

  http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0712/LTN20170712275.pdf; and

- annual report of the Company for the year ended 31 March 2018 published on 13 July 2018 (pages 51 to 140)

  http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0713/LTN20180713321.pdf.

Details of the published financial information of the Group for the six months ended 30 September 2018 are disclosed in the interim report of the Company for the period ended 30 September 2018. 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 six months ended 30 September 2018 published on 15 November 2018 (pages 1 to 32)

  http://www.hkexnews.hk/listedco/listconews/SEHK/2018/1115/LTN20181115358.pdf

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 March 2019, 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 March 2019 *HK$'000*
Current	
Bank loans — secured and unguaranteed	134,110
Bank loans — unsecured and unguaranteed	689
Bank overdrafts — secured and unguaranteed	1,357
Trust receipt loans — secured and unguaranteed	5,066
Other borrowings — unsecured and unguaranteed	85,410
	226,632
Non-current	
Bank loans — secured and unguaranteed	192,465
Bank loans — unsecured and unguaranteed	177
	192,642
	419,274

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, which had an aggregate carrying value of HK$138,017,000 (based on the latest valuation as of 31 March 2018 by an independent professionally qualified valuer);

(ii) the pledge of certain of the Group's investment properties situated in Mainland China, which had an aggregate carrying value of HK$559,260,000 (based on the latest valuation as of 31 March 2018 by an independent professionally qualified valuer);

(iii) the pledge of certain of the 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$216,177,000 (certain of these properties based on the latest valuation as of 31 March 2018 by an independent professionally qualified valuer); and

(iv) the pledge of the Group's time deposits of HK$3,000,000.

The Group also had amounts due to associates of approximately HK$5,177,000, which are unsecured, unguaranteed, non-interest bearing and repayable on demand.

As at the close of business on 31 March 2019 (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 March 2019.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after taking into account the internal financial resources available to the Group upon completion of the Disposal and the distribution of the Special Dividend, the cash flows to be generated from the operating activities and the available banking facilities, in the absence of any unforeseeable circumstances, the Remaining 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, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, 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 Disposal will generate substantial revenue to the Group. Further recent slowdown of the PRC property market, the Disposal can generate funds for the Group's development of and investment in properties in Hong Kong and the PRC. The Directors believe that the Disposal pursuant to the Sale and Purchase 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 Remaining 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. The name of this project is “**Century Place, Kaifeng**”. Up to now, the construction of a gross floor area of 190,000 sq. metres has been completed and the total sales contract sum achieved amounted to approximately RMB755 million. The remaining part of the land (Section G) is under construction, and it is expected the construction will be completed by end of 2019 and the pre-sale will start in the fourth quarter 2019.

	Current use	**Area** *(approximate sq. metres)*
Section A	Investment properties — Shops (leased out)	54,000
Section C	Properties held for sales — Villas	6,000
Section F	Properties held for sales — Shops	11,000
Section G	Properties held for sales under development — Villas	31,000

On 16 February 2012, the Remaining 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 name of this project is “**World Expo, Kaifeng**”. The Directors intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 95,000 sq. metres. Up to now, gross floor area of 80,000 sq. metres was completed. It includes (i) two commercial buildings with gross floor area of approximately 14,000 sq. metres; (ii) an animation theatre with gross floor area of approximately 5,000 sq. metres; (iii) three residential building with gross floor area of approximately 59,000 sq. metres; and (iv) 25 street shops with gross floor area of approximately 2,000 sq. metres. The total sales contract sum achieved from the sales amounted to approximately RMB446 million. It is expected that the construction of the whole project will be completed by end of 2019. The part under construction is a hotel with gross floor area of approximately 15,000 sq. metres. The animation theatre is named “**Qing-Ming Riverside Anime Exhibition**” and was used to show the animation of 清明上河圖 which was shown in 2010 Shanghai Expo. The Board decided to terminate the animation business and is seeking for potential buyer for the animation theatre together with the remaining properties at the World Expo, Kaifeng.

In September 2014, the Remaining Group was granted another land use right in the city of Kaifeng, the PRC, namely Zhu Ji Lane (珠璣巷). The Remaining Group has developed 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 which was held in October 2014. As at the Latest Practicable Date, the project has been completed. The Group entered into a sale and purchase agreement on 10 July 2018 with an independent third party to sell the entire properties of Zhu Ji Lane, and the transaction is expected to be completed in mid 2019.

The Board remains optimistic about the property market in the PRC. With its good experience in the property market of the PRC, the Remaining Group may acquire additional land to enrich the Remaining Group's land reserve, specifically in the Guangdong — Hong Kong — Macao Greater Bay Area which is adjacent to Hong Kong. However, the Remaining Group has no specific investment plan in relation to any particular project currently.

Proposed formation of a joint venture company for the property investment and/or redevelopment in Hong Kong

On 15 October 2018, the Group has entered into a subscription agreement with Excel Castle International Limited ("**JV Company**") ("**Subscription Agreement**") pursuant to which the Group has conditionally agreed to subscribe for the subscription shares, representing 6% of the enlarged issued share capital of the JV Company at the consideration of US$900,000 (equivalent to approximately HK$7.0 million) ("**Subscription**"). On the same date, the Group, the JV Company and Southern Victory Investments Limited ("**SVIL**") have entered into the shareholders' agreement ("**Shareholders' Agreement**") governing the affairs of the JV Company and the provision of the shareholder's loan of up to HK$62,980,000, which has taken effect on the completion date of the Subscription.

The JV Company is an investment holding company to hold directly a company incorporated in Hong Kong that is engaged in the business of investment holding, property investment and/or redevelopment in Hong Kong and which in turn holds eight other wholly owned subsidiaries (together with the JV Company, collectively referred to as the "**JV Group**").

SVIL and the Group agree to each make available a maximum contribution to the JV Company of approximately HK$1,100 million and HK$70 million respectively in various instalments in such amounts in proportion of their shareholding on such dates as from time to time to be determined by the board of directors of the JV Company for the purpose of financing the business of the JV Group and/or the redevelopment project of the JV Group.

The Directors (including the independent non-executive Directors) consider that the Subscription Agreement and the Shareholders' Agreement are on normal commercial terms. Taking into account the expected return to be generated from the proposed property development project through the investment in the JV Company, the Directors consider that the terms of the Subscription Agreement and the Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The transaction was completed on 9 November 2018.

Formation of a joint venture company for the property investment and/or development in Shanghai

During the Reporting Period, the Group has invested in two property projects in Shanghai, being the property redevelopment of residential apartments at Wuyi Road, Changing District, Shanghai ("**Project Embassy**") and the property redevelopment of offices and carparks at West Huaihai Road, Chang Ning District, Shanghai ("**Project Stone**"). Total investment on these two projects is approximately HK$20 million.

Project Embassy is a low-rise building in Shanghai located next to the Embassy of Belgium. The building contains eight (8) apartments with total gross floor area of 867 sq. meters. It is co-invested with an independent third party in a company registered in the BVI which the Group has 10% equity interest.

Project Stone is an office building which is named as Shanghai City Point. The building contains four (4) floors with total gross floor area of 6,668 sq. meters. This project is co-invested with the same independent third party as Project Embassy in a company registered in the BVI in which the Remaining Group has 5% equity interest.

The Group intended to redevelope Project Embassy and Project Stone to realise the full value of the properties. The renovation works for Project Embassy and Project Stone are expected to be completed in late 2019.

Regarding the Starway Parkview South Station Hotel project ("**Project Parkview**"). It locates in Xuhui West Bund area, adjacent to Shanghai Botanical garden. The hotel was built in 2003 with 7,319 square meters and 56 rooms. It is co-invest with an independent third party which the Group has 30% equity interest. The hotel has been converted into 66-rooms rental apartments with communal recreational facilities and amenity retails. The renovation work of the Shanghai Parkview has been completed and we are seeking potential buyer of it.

In anticipation of the uncertain and challenging economic environment and volatility in the market ahead, the Remaining Group will continue to adopt a cautious and proactive approach in managing its core investments and to look for sound and stable investment opportunities to produce sustainable returns for the Company's shareholders.

Formation a real estate investment fund

On 23 April 2019, the Group has entered an shareholder agreement with Pamfleet China GP II Limited ("**Pamfleet China**") to set up a fund for property investment. The Group owns 30% of the fund and total investment will be USD1.125 million.

Pamfleet China is an independent and privately owned real estate investment advisor with offices in Hong Kong, Singapore and Shanghai. Their experienced team seeks to create longterm value through knowledgeable deal sourcing, disciplined acquisitions, active asset management, rebranding and refurbishment with an emphasis on design, anticipating tenant and community requirements and delivering good value for money. Members of the management team have been involved in the selection and management of real estate investments throughout Asia for over 20 years.

The name of the fund is Pamfleet Shanghai Real Estate FundII ("**PSREFII**"). PSREFII will seek to capitalize on Pamfleet China's track record of successful investments in under-performing, under-priced and distressed real estate with repositioning and value-add potential in Shanghai and other tier one cities in China. The investment strategy of PSREFII is to continue Pamfleet China's track record of identifying, structuring and executing successful asset repositioning investments in Shanghai and other tier one cities in China.

Target return is about 15%–18% IRR.

Pamfleet China and the Group operate with a flat organizational structure, which allows and encourages collaboration.

Trading of medical equipment and home security and automation products

The increasing standard of living around the globe, especially in Hong Kong and major cities in the PRC, and increasing health awareness, in particular from high-income consumers living in the urban areas, together create additional demand for medical equipment. Consequently, this segment should continue to be a worthwhile investment. In the coming reporting period, we will expand our distribution channels and introduce a broader range of products to boost sales growth.

Also, with the increasing safety awareness in Hong Kong and major cities in the PRC, we expect a high demand for wired and wireless security devices and systems, which are relevant to management of residential estates, commercial offices, shops, hotels, hospitals, museums and prisons.

The Remaining Group will continue to adopt efficacious cost management strategies and maintain tight credit control measures to cope with challenges and to improve competitiveness within the volatile operating environment. The Directors will continue to make every effort to maximise the interests of the shareholders of the Company.

During the year, the Group has set up an e-solution company that will be engaged in:

i) customs clearance and logistic services

Based on our experience and network in Indonesia and China, we will provide customs clearance and logistic services to our potential customers who carry out trading services between these two countries. The services include clearance, inspection, insurance, warehouse storage, foreign exchange settlement, import/export policy consultation.

ii) general trading and e-commerce services

We will import foreign products into China. Our potential customers include distributors and large supermarkets. Our online business platform partner include HIPAC ("**海拍客**") and PINDUODUO ("**拼多多**"). Our products include baby products, beverage and food.

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 2018 (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 2018

Business review

For the year ended 31 March 2018, the Remaining Group recorded a turnover of approximately HK$190,783,000, which represented a decrease of 4% as compared with the preceding year. The net profit attributable to owners of the Company amounted to approximately HK$47,776,000 representing a decrease of 67% as compared with the preceding year. The significant decrease was mainly due to a (i) gain on disposal of approximately HK$106 million noted for the year ended 31 March 2017 upon the placing of 200,000,000 shares of Deson Construction, while no such gain was noted for the year ended 31 March 2018. Since 31 March 2017, the interest in DCIHL is classified as investments in associates and accounted for by using equity method; (ii) a decrease in the gross profit from property development and investment segment. In last reporting period, the sales was mainly arising from the Remaining Group's profit from the one-off sales of a six-storey office premises (properties held for sales) in Kaifeng City, Henan Province of the PRC. During this reporting period, the majority of sales was arising from the residential apartments in Kaifeng. The gross profit margin of sales of office premises is much higher than the sale of residential apartments. As a result, the overall profit is lower than last reporting period.

On 11 January 2017, the Company, through its wholly owned subsidiary, signed a placing agreement with a placing agent, to place 200,000,000 shares of Deson Construction at HK$0.30 each ("**Placing**") and all the 200,000,000 shares of Descon Construction were successfully placed. Upon completion of the Placing on 31 March 2017, DCIHL Group ceased to be subsidiaries of the Remaining Group and the construction and investment in securities businesses have been discontinued. The Remaining Group's major business segments during the year ended 31 March 2018 became (i) property development and investment; and (ii) trading of medical equipment and home security and automation products, and the provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market.

Financial review

Turnover and segmental result

For the year ended 31 March 2018, the Remaining Group's turnover from continuing operations amounted to approximately HK$191 million, decreased by 4% as compared to last year. The decrease was because of the drop in sales of properties in the PRC and the decrease of project income from trading of home security products.

Turnover generated from property development and investment business and trading of medical equipment and home securities and automation products as well as trading of various granite and marble products, stone slabs and products for construction market amounted to approximately HK$165 million and HK$26 million, respectively, which represent a decrease of 2% and decrease of 16%, respectively as compared to last reporting period.

Gross profit margin

During the year ended 31 March 2018, the Remaining Group's gross profit margin from the continuing operations was approximately 25%, decreased by 6 percentage points as compared to last reporting period's 31%. The decrease is mainly driven by sales of commercial area proportion in turnover from property development and investment segment is higher in last year where the gross profit margin of sales of commercial area is much higher than the sales of residential area. As a result, the overall gross profit margin is lower than last year.

Share of profits and losses of associates

For the year ended 31 March 2018, the Remaining Group's share of profits of associates amounted to approximately HK$9 million, increased by 437% as compared to last reporting period. Upon the completion of the Placing of DCIHL shares, the Remaining Group only shares 31.18% of the profit of the DCIHL Group by using the equity method and is reflected in this line. In last reporting period, the DCIHL Group was still subsidiaries of the Group.

Liquidity and financial resources

As at 31 March 2018, the Remaining Group had total assets of approximately HK$2,804,205,000, which was financed by total liabilities, shareholders' equity and non-controlling interests of HK$1,154,401,000, HK$1,650,413,000 and debit balance of HK$609,000, respectively. The Remaining Group's current ratio at 31 March 2018 was 2.18 compared to 1.73 at 31 March 2017.

As at 31 March 2018, the gearing ratio of the Remaining Group is 24%. It was calculated based on the non-current liabilities of HK$510,032,000 and long term capital (equity and non-current liabilities) of HK$2,159,836,000.

Capital expenditure

Total capital expenditure for the year ended 31 March 2018 was approximately HK$799,000, which was mainly used for the purchase of motor vehicles and office equipment.

Contingent liabilities

As at 31 March 2018, there were no significant contingent liabilities for the Remaining Group.

Commitments

As at 31 March 2018, 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 and the PRC of HK$205,450,000;

(ii) the pledge of certain of the Remaining Group's investment properties situated in the PRC, which had an aggregate carrying value of HK$597,500,000;

(iii) the pledge of certain of the Remaining Group's properties held for sale under development and properties held for sale situated in the PRC of HK$230,958,000; and

(iv) the pledge of the Remaining Group's time deposits of HK$126,000,000.

Treasury policies

The Remaining Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Remaining Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Exchange risk exposure

The Group mainly exposes to the RMB currency, arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities.

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

Human Resources

As at 31 March 2018, the Remaining Group had 138 employees, 101 of whom were based in the PRC. The total employee benefits expenses (including discontinued operations) including directors' emoluments for the year under review amounted to approximately HK$24 million as compared to approximately HK$28 million in last year, the decrease was mainly due to the decrease in expenses on share options granted to certain directors and employees of the Remaining Group in 2015 which were exercisable from April 2015 to April 2018.

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 Remaining Group offered discretionary bonus and share options to staff based on the individual performance and the achievements of the Remaining Group's targets.

(b) Business review for the year ended 31 March 2017

Business review

For the year ended 31 March 2017, the Remaining Group recorded a turnover in amount of approximately HK$199,683,000, which represented an increase of 118% as compared with the preceding year. The net profit attributable to equity holders of the Remaining Group amounted to approximately HK$76,444,000 representing a decrease of 41% as compared with last year. For the year ended 31 March 2016, the Remaining Group transferred one of their properties held for sale to investment properties which in turn caused a significant increase in fair value gain on investment properties. For the year ended 31 March 2017, segment operating profit generated from the property development and investment business amounted to approximately HK$54,969,000 representing a decrease of 76% as compared to last year. This is mainly due to the combined effect of (i) the significant decrease in fair value gain on investment properties (after deferred taxation) in the amount of approximately HK$26,035,000; and (ii) significant sale of offices of the World Expo Plaza at Kaifeng during the year ended 31 March 2017.

Financial review

Turnover and segmental result

For the year ended 31 March 2017, the Remaining Group's turnover amounted to HK$200 million, increased by 118% as compared to last year. The increase was due to the Remaining Group's one-off gain from disposal of a six-storey office premises in Kaifeng City, Henan Province, the PRC. Turnover generated from property development and investment business, trading of medical equipment and home securities and automation products as well as trading of various granite and marble products, stone slabs and products for construction market, amounted to approximately HK$169 million and HK$31 million, respectively, which represent an increase of 183% and decrease of 2%, respectively as compared to last year

Gross profit margin

During the year ended 31 March 2017, the Remaining Group's gross profit margin was approximately 31%, decrease by 7 percentage points as compared to last year's 38%, mainly driven by rental proportion in turnover from property development and investment segment is higher in last year where the gross profit margin of rental is much higher than the sale of property, as a result, the overall gross profit margin is lower than last year.

Liquidity and financial resources

As at 31 March 2017, the Remaining Group had total assets of HK$2,783,058,000, which was financed by total liabilities, shareholders' equity and non-controlling interests of HK$1,326,345,000, HK$1,456,593,000 and HK$120,000, respectively. The Remaining Group's current ratio at 31 March 2017 was 1.73 compared to 1.30 at 31 March 2016.

The gearing ratio for the Remaining Group is 23%. It was calculated based on the non-current liabilities of HK$424,402,000 and long term capital (equity and non-current liabilities) of HK$1,881,115,000.

Capital expenditure

Total capital expenditure for the year ended 31 March 2017 was approximately HK$4,344,000, and was mainly used in the purchase of items of property, plant and equipment.

Contingent liabilities

As at 31 March 2017, there were no significant contingent liabilities for the Remaining Group.

Commitments

As at 31 March 2017, 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 approximately HK$141,100,000;

(ii) the pledge of certain of the Remaining Group's investment properties situated in the PRC of approximately HK$526,580,000;

(iii) the pledge of certain of the Remaining Group's properties held for sale under development and properties held for sale situated in the PRC, which had an aggregate carrying value of approximately HK$360,307,000; and

(iv) the pledge of the Remaining Group's deposits of HK$182,900,000.

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 2017, the Remaining Group had 144 employees, 99 of whom were based in the PRC. The total employee benefits expenses (including discontinued operations) including directors' emoluments for the year under review amounted to approximately HK$28 million as compared to HK$31 million in last reporting period, the decrease was mainly due to expenses on share options granted to certain directors and employees of the Remaining Group in last year.

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 Remaining Group offered discretionary bonus and share options to staff based on the individual performance and the achievements of the Remaining Group's targets.

(c) 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$91,467,000, which represented a decrease of 9% as compared with the preceding year. The net profit attributable to equity holders of the Company amounted to approximately HK$133,726,000 representing an increase of 36% as compared with the preceding year. The increase was mainly due to a significant increase in fair value gain on investment properties (after deferred taxation) in an amount of approximately HK$196,756,000. 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 38% 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 (after deferred taxation) in an amount of approximately HK$196,756,000; (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 29% from approximately HK$69,047,000 for the year ended 31 March 2015 to approximately HK$48,781,000 for the year ended 31 March 2016. Besides, the Remaining Group's rental income received during the year decreased by 30% from approximately HK$55,648,000 for the year ended 31 March 2015 to approximately HK$39,036,000 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$91 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 25%, 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$872,000, which was mainly used in the purchase of items of property, plant and equipment.

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.

FINANCIAL INFORMATION OF THE DCIHL GROUP

Details of the published audited financial information of the DCIHL Group for each of the three years ended 31 March 2016, 2017 and 2018 and the published unaudited financial information of the DCIHL Group for nine months ended 31 December 2018 are disclosed in the annual reports of DCIHL for the financial years ended 31 March 2016, 2017 and 2018, and third quarterly report for the financial period ended 31 December 2018, respectively. Reference should also be made to the DCIHL Group's inside information announcement dated 20 May 2019 regarding the revised financial statements for the nine months ended 31 December 2018 and adjustments to the amounts recognised and published in the third quarterly report of DCIHL for the nine-month period ended 31 December 2018 published on 11 February 2019. Details of these financial statements have been published on the websites of the Stock Exchange (www.hkexnews.hk) and DCIHL (www.deson-c.com):

- annual report of DCIHL 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;

- annual report of DCIHL for the year ended 31 March 2017 published on 29 June 2017 (pages 60 to 131)

  http://www.hkexnews.hk/listedco/listconews/GEM/2017/0629/GLN20170629169.pdf;

- annual report of DCIHL for the year ended 31 March 2018 published on 28 June 2018 (pages 55 to 129)

  http://www.hkexnews.hk/listedco/listconews/GEM/2018/0628/GLN20180628181.pdf;

- third quarterly report of DCIHL for the period ended 31 December 2018 published on 11 February 2019 (pages 1 to 20)

  http://www.hkexnews.hk/listedco/listconews/GEM/2018/1113/GLN20181113013.pdf; and

- Inside information announcement of DCIHL published on 20 May 2019

  http://www.hkexnews.hk/listedco/listconews/GEM/2019/0520/GLN20190520017.pdf.

Set out below are the consolidated statements of financial position of the DCIHL Group as at 31 March 2016, 2017 and 2018 and as at 31 December 2018; the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows of the DCIHL Group for each of the three financial years ended 31 March 2016, 2017 and 2018 and the nine months ended 31 December 2018 and certain explanatory notes (collectively the "**Financial Information**") and the interim comparative information of the DCIHL Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 31 December 2017 and other explanatory 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 Financial Information is prepared by the Directors of the Company solely for the purpose of the inclusion in this circular in connection with the Disposal. The Company's reporting accountants were engaged to review the Financial Information which is included in the Financial Information of the DCIHL Group set out on pages II-2 to II-17 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 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 Financial Information of the DCIHL Group for the years ended 31 March 2016, 2017 and 2018 and for the nine months ended 31 December 2018, nothing has come to their attention that causes them to believe that the Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in Note 2 below.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	For the year ended			For the nine months ended	
	31 March 2016	**31 March 2017**	**31 March 2018**	**31 December 2017**	**31 December 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	813,264	917,804	792,010	615,967	503,446
Cost of sales	(765,653)	(815,150)	(706,711)	(552,973)	(489,200)
Gross profit	47,611	102,654	85,299	62,994	14,246
Other income and gains	1,681	1,181	1,296	935	3,057
Fair value gain/(loss) on investment properties	(420)	748	(1,770)	(1,740)	747
Administrative expenses	(32,989)	(31,977)	(37,361)	(26,585)	(26,103)
Other operating expenses, net	(3,911)	(843)	(14,364)	(22,018)	(4,637)
Finance costs	(467)	(2,955)	(3,453)	(2,513)	(2,824)
PROFIT/(LOSS) BEFORE TAX	11,505	68,808	29,647	11,073	(15,514)
Income tax credit/(expense)	840	(2,034)	(905)	(409)	(84)
PROFIT/(LOSS) FOR THE YEAR/PERIOD	12,345	66,774	28,742	10,664	(15,598)
Attributable to:					
Owners of DCIHL	10,856	65,535	38,831	20,847	(13,128)
Non-controlling interests	1,489	1,239	(10,089)	(10,183)	(2,470)
	12,345	66,774	28,742	10,664	(15,598)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended			For the nine months ended	
	31 March 2016	31 March 2017	31 March 2018	31 December 2017	31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR/PERIOD	12,345	66,774	28,742	10,664	(15,598)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(1,248)	(2,451)	2,726	1,599	(611)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Surplus/(deficit) on revaluation of leasehold land and buildings	(757)	2,757	1,607	—	2,612
Income tax effect	125	(455)	(265)	—	(431)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:	(632)	2,302	1,342	—	2,181
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	(1,880)	(149)	4,068	1,599	1,570
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	10,465	66,625	32,810	12,263	(14,028)
Attributable to:					
Owners of DCIHL	9,179	65,849	42,612	22,280	(12,010)
Non-controlling interests	1,286	776	(9,802)	(10,017)	(2,018)
	10,465	66,625	32,810	12,263	(14,028)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	17,634	19,729	20,567	22,692
Investment properties	10,860	10,961	—	19,500
Total non-current assets	28,494	30,690	20,567	42,192
CURRENT ASSETS				
Contract assets	—	—	—	83,017
Gross amount due from contract customers	30,011	27,780	44,055	—
Due from a related companies	5,894	5,900	5,913	5,904
Due from a fellow subsidiaries	27	—	—	—
Accounts receivable	100,878	129,431	99,984	72,658
Prepayments, deposits and other receivables	23,195	29,346	131,273	107,716
Equity investments at fair value through profit or loss	8,124	65,301	19,621	15,380
Tax recoverable	2,490	1,079	1,209	1,209
Pledged deposits	29,727	32,780	26,236	26,302
Cash and cash equivalents	39,068	49,042	54,314	60,244
Total current assets	239,414	340,659	382,605	372,430
CURRENT LIABILITIES				
Gross amount due to contract customers	114,914	124,840	113,898	—
Accounts payable	32,905	27,786	39,062	50,739
Other payables and accruals	47,857	72,295	69,719	213,962
Due to non-controlling shareholders	1,500	1,500	1,500	1,500
Due to a related company	–	14	15	14
Due to a fellow subsidiary	14	—	—	—
Tax payable	535	1,134	2,337	1,225
Derivative component of convertible bonds	—	8,321	2,470	1,386
Interest-bearing bank borrowings	31,510	4,455	9,407	10,054
Liability component of convertible bonds	—	—	—	30,437
Total current liabilities	229,235	240,345	238,408	309,317
NET CURRENT ASSETS	10,179	100,314	144,197	63,113
TOTAL ASSETS LESS CURRENT LIABILITIES	38,673	131,004	164,764	105,305
NON-CURRENT LIABILITIES				
Liability component of convertible bonds	—	25,600	28,295	—
Deferred tax liabilities	2,767	2,873	1,128	1,643
Total non-current liabilities	2,767	28,473	29,423	1,643
Net assets	35,906	102,531	135,341	103,662

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY				
Equity attributable to owners of DCIHL				
Issued capital	25,000	25,000	25,000	25,000
Reserves	4,654	70,503	113,115	86,780
	29,654	95,503	138,115	111,780
Non-controlling interests	6,252	7,028	(2,774)	(8,118)
Total equity	35,906	102,531	135,341	103,662

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of DCIHL										
	Issued capital	Share premium account	Contribution surplus	Property revaluation reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	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 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	25,000	9,381	(5,372)	14,294	1,183	3,939	5,581	(24,352)	29,654	6,252	35,906

	Attributable to owners of DCIHL										
	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 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 year	—	—	—	—	—	—	—	65,535	65,535	1,239	66,774
Other comprehensive income/(loss) for the year:											
Surplus on revaluation of leasehold land and buildings, net of tax	—	—	—	2,302	—	—	—	—	2,302	—	2,302
Exchange differences on translation of foreign operations	—	—	—	—	—	(1,988)	—	—	(1,988)	(463)	(2,451)
Total comprehensive income/(loss) for the year	—	—	—	2,302	—	(1,988)	—	65,535	65,849	776	66,625
Release of revaluation reserve	—	—	—	(680)	—	—	—	680	—	—	—
At 31 March 2017	25,000	9,381	(5,372)	15,916	1,183	1,951	5,581	41,863	95,503	7,028	102,531

	Attributable to owners of DCIHL										
	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	25,000	9,381	(5,372)	15,916	1,183	1,951	5,581	41,863	95,503	7,028	102,531
Profit/(loss) for the year	—	—	—	—	—	—	—	38,831	38,831	(10,089)	28,742
Other comprehensive income for the year:											
Surplus on revaluation of leasehold land and buildings, net of tax	—	—	—	1,342	—	—	—	—	1,342	—	1,342
Exchange differences on translation of foreign operations	—	—	—	—	—	2,439	—	—	2,439	287	2,726
Total comprehensive income for the year	—	—	—	1,342	—	2,439	—	38,831	42,612	(9,802)	32,810
Release of revaluation reserve	—	—	—	(3,352)	—	—	—	3,352	—	—	—
At 31 March 2018	25,000	9,381	(5,372)	13,906	1,183	4,390	5,581	84,046	138,115	(2,774)	135,341

	Attributable to owners of DCIHL										
	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	25,000	9,381	(5,372)	15,916	1,183	1,951	5,581	41,863	95,503	7,028	102,531
Profit/(loss) for the period	—	—	—	—	—	—	—	20,847	20,847	(10,183)	10,664
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	1,433	—	—	1,433	166	1,599
Total comprehensive income/(loss) for the period	—	—	—	—	—	1,433	—	20,847	22,280	(10,017)	12,263
Release of revaluation reserve	—	—	—	(324)	—	—	—	324	—	—	—
At 31 December 2017	25,000	9,381	(5,372)	15,592	1,183	3,384	5,581	63,034	117,783	(2,989)	114,794

	Attributable to owners of DCIHL										
	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018	25,000	9,381	(5,372)	13,906	1,183	4,390	5,581	84,046	138,115	(2,774)	135,341
Adjustment on adoption of HKFRS 15, net of tax	—	—	—	—	—	—	—	(6,116)	(6,116)	(148)	(6,264)
Adjustment on adoption of HKFRS 9, net of tax	—	—	—	—	—	—	—	(8,209)	(8,209)	(3,178)	(11,387)
At 1 April 2018 (restated)	25,000	9,381	(5,372)	13,906	1,183	4,390	5,581	69,721	123,790	(6,100)	117,690
Loss for the period	—	—	—	—	—	—	—	(13,128)	(13,128)	(2,470)	(15,598)
Other comprehensive income for the period:											
Surplus on revaluation of leasehold land and buildings, net of tax	—	—	—	2,181	—	—	—	—	2,181	—	2,181
Exchange differences on translation of foreign operations	—	—	—	—	—	(1,063)	—	—	(1,063)	452	(611)
Total comprehensive income/(loss) for the period	—	—	—	2,181	—	(1,063)	—	(13,128)	(12,010)	(2,018)	(14,028)
Release of revaluation reserve	—	—	—	(310)	—	—	—	310	—	—	—
At 31 December 2018	25,000	9,381	(5,372)	15,777	1,183	3,327	5,581	56,903	111,780	(8,118)	103,662

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended			For the nine months ended	
	31 March 2016	31 March 2017	31 March 2018	31 December 2017	31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	11,505	68,808	29,647	11,073	(15,514)
Adjustments for:					
Finance costs	467	2,955	3,453	2,513	2,824
Interest income	(255)	(228)	(427)	(254)	(176)
Dividend income	—	(174)	(160)	(159)	—
Fair value loss/(gain) on investment properties	420	(748)	1,770	1,740	(747)
Loss on disposal of items of property, plant and equipment	21	—	52	58	9
Depreciation	830	808	808	617	626
Fair value loss/(gain) on equity investments at fair value through profit or loss	(794)	(44,868)	(43,199)	(32,700)	4,260
Fair value loss/(gain) on the derivative component of convertible bonds	—	876	(5,851)	—	(1,084)
Impairment/(reversal of impairment) of accounts receivable	3,903	—	(2,242)	—	1,472
Impairment of contract assets	—	—	—	—	4,283
Equity-settled share option expense	1,183	—	—	—	—
	17,280	27,429	(16,149)	(17,112)	(4,047)
Decrease/(increase) in gross amount due from contract customers	(4,591)	2,625	(15,418)	(17,022)	—
Increase in contract assets	—	—	—	—	23,461
Movement in balances with related companies, net	—	—	(13)	—	10
Decrease/(increase) in accounts receivable	(50,208)	(28,849)	33,237	27,824	(41,168)
Decrease/(increase) in equity investments at fair value through profit or loss	(7,330)	(12,309)	88,879	82,936	(19)
Decrease/(increase) in prepayments, deposits and other receivables	(9,756)	(7,492)	(99,391)	(94,600)	21,126
Increase/(decrease) in gross amount due to contract customers	26,459	9,926	(10,942)	7,306	—
Increase/(decrease) in accounts payable	13,975	(4,765)	9,082	32,148	14,379
Increase/(decrease) in other payables and accruals	22,359	24,594	(4,099)	(12,175)	13,415
Cash generated from/(used in) operations	8,188	11,159	(14,814)	9,305	27,157

	For the year ended			For the nine months ended	
	31 March 2016	31 March 2017	31 March 2018	31 December 2017	31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest paid	(1,394)	(485)	(906)	(753)	(964)
Hong Kong taxes paid	(4,434)	—	(391)	—	—
Overseas taxes paid	(828)	(220)	(1,713)	(69)	(898)
Dividend received	—	174	160	159	—
Net cash flows from/(used in) operating activities	1,532	10,628	(17,664)	8,642	25,295
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	255	228	427	254	176
Purchases of items of property, plant and equipment	(98)	(150)	(129)	(82)	(25)
Proceeds from disposals of items of property, plant and equipment	10	—	42	42	—
Proceeds from disposal of investment properties	—	—	9,676	—	—
Decrease/(increase) in pledged deposits	(53)	(3,053)	6,544	(38)	(66)
Purchase of investment properties	—	—	—	—	(18,800)
Movement in balances with related companies, net	302	—	—	(2)	—
Net cash flows from/(used in) investing activities	416	(2,975)	16,560	174	(18,715)
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank borrowings	13,475	3,033	13,350	8,479	20,503
Repayment of bank borrowings	(17,109)	(13,475)	(11,512)	(7,220)	(15,378)
Proceeds from issue of convertible bonds	—	30,900	—	—	—
Transaction costs of convertible bonds	—	(725)	—	—	—
Dividends paid	(4,000)	—	—	—	—
Movement in balances with fellow subsidiaries	(15)	21	—	1,197	—
Net cash flows from/(used in) financing activities	(7,649)	19,754	1,838	2,456	5,125
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(5,701)	27,407	734	11,272	11,705
Cash and cash equivalents at beginning of year/period	27,160	21,033	47,620	47,620	49,778
Effect of foreign exchange rate changes, net	(426)	(820)	1,424	919	(1,298)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	21,033	47,620	49,778	59,811	60,185

	For the year ended			For the nine months ended	
	31 March 2016	**31 March 2017**	**31 March 2018**	**31 December 2017**	**31 December 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the statement of financial position	39,068	49,042	54,314	59,827	60,244
Bank overdrafts, secured	(18,035)	(1,422)	(4,536)	(16)	(59)
Cash and cash equivalents as stated in the statement of cash flows	21,033	47,620	49,778	59,811	60,185

NOTES TO THE FINANCIAL INFORMATION OF THE DCIHL GROUP

For each of the years ended 31 March 2016, 2017 and 2018 and the nine months ended 31 December 2018

1. GENERAL INFORMATION

Deson Construction International Holdings Limited ("**DCIHL**") was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 18 July 2014 and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

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

Information about subsidiaries

Particulars of the DCIHL's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued/ registered share capital	Class of shares held	Percentage of equity attributable to DCIHL Direct	Percentage of equity attributable to DCIHL Indirect	Principal activities
北京長迪建築裝飾工程有限公司(a)*	PRC/Mainland China	RMB16,000,000	Not classified	—	60	Decoration engineering
Deson Development Limited	Hong Kong	HK$20,000,100 HK$20,000,000	Class A (i) Class B (i)	—	100	Construction contracting and investment holding
Colton Ventures Limited*	BVI/Hong Kong	US$1	Ordinary	—	100	Investment holding
Deson Construction Engineering Limited*	BVI/Hong Kong	US$10,000	Ordinary	—	85.7	Investment holding
Deson Engineering Limited	Hong Kong	HK$10,000	Ordinary	—	100	Decoration engineering
Deson Industries Limited*	BVI/Hong Kong	US$1	Ordinary	—	100	Investment holding
Deson (Macau) Construction Limited*	Macau	MOP30,000	Ordinary	—	100	Decoration engineering
Foregrand Holdings Inc.*	BVI/Hong Kong	US$1	Ordinary	—	100	Investment holding
Golden Kindex Limited	Hong Kong	HK$1	Ordinary	—	100	Property investment
Grace Profits Investments Limited*	BVI/Hong Kong	US$1	Ordinary	—	100	Investment holding
Kenworth Group Limited*	BVI/Hong Kong	US$3	Ordinary	—	100	Investment holding
Kenworth Engineering Limited	Hong Kong	HK$54,374,140 HK$20,000,000	Ordinary Preference (ii)	—	100	Provision of electrical and mechanical engineering services, and investment in securities
Latest Ventures Limited*	BVI/Hong Kong	US$1,000	Ordinary	100	—	Investment holding
New Stream Holdings Limited*	BVI/Hong Kong	US$1	Ordinary	—	100	Investment holding
上海迪申建築裝潢有限公司(b)*	PRC/Mainland China	US$900,000	N/A	—	100	Decoration engineering
Achieve Plus Investments Limited	Hong Kong	HK$1	Ordinary	—	100	Property investment
Rosy Beauty Investments Limited*	BVI/Hong Kong	US$1	Ordinary	—	100	Investment holding

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

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

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

Notes:

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

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

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i) of Chapter 14 of the Listing Rules and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal.

The Financial Information has been prepared in accordance with the same accounting policies adopted by the Company as set out in its annual report for the year ended 31 March 2018, which conform with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants, except for changes in accounting policies as disclosed in Note 3 below for the first time for the nine months ended 31 December 2018. The Financial Information has been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties, financial assets at fair value through profit or loss and financial liabilities at fair value 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 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.

3. CHANGES IN ACCOUNTING POLICIES

The DCIHL Group has adopted HKFRS 9 *Financial Instruments* ("**HKFRS 9**") and HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**") for the first time for the nine months ended 31 December 2018.

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the other new and revised HKFRSs has had no significant financial effect on the Financial Information.

(a) Impacts on adoption of HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The DCIHL Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

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

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

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

[1]L&R: Loans and receivables

[2]AC: Financial assets at amortised cost

Note:

(i) The gross carrying amounts of the accounts receivable under the column "HKAS 39 measurement — Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 3(b) below.

As of 1 April 2018, other financial assets previously classified as loans and receivables under HKAS 39 were reclassified to financial assets at amortised cost under HKFRS 9 at their original carrying values, and there have been no changes to the classification or measurement of financial liabilities as a result of the adoption of HKFRS 9.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

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

Impact on retained profits and non-controlling interests

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

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

(b) Impacts on adoption of HKFRS 15 *Revenue from Contracts with Customers*

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

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

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the financial information for the years ended 31 March 2016, 2017 and 2018 and for the nine months ended 31 December 2017 was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

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

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

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the nine months ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the DCIHL Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the nine months ended 31 December 2018:

	Amounts prepared under		
	HKFRS 15 *HK$'000*	**previous HKFRS** *HK$'000*	**Increase/ (decrease)** *HK$'000*
Revenue	503,446	533,710	(30,264)
Cost of sales	(489,200)	(521,085)	31,885
Gross profit	14,246	12,625	1,621
Loss before tax	(15,514)	(17,135)	1,621
Income tax expense	(84)	(84)	—
Loss for the period	(15,598)	(17,219)	1,621
Attributable to:			
Owners of DCIHL	(13,128)	(14,866)	1,738
Non-controlling interests	(2,470)	(2,353)	(117)
	(15,598)	(17,219)	1,621

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amounts prepared under HKFRS 15	previous HKFRS	Increase/ (decrease)
		HK$'000	HK$'000	HK$'000
Gross amount due from contract customers	(i)	—	9,306	(9,306)
Accounts receivable	(i)	72,658	134,689	(62,031)
Contract assets	(i)	83,017	—	83,017
Total assets		414,622	402,942	11,680
Gross amount due to contract customers	(i)	—	122,767	(122,767)
Other payables and accruals	(i)	213,962	74,872	139,090
Total liabilities		310,960	294,637	16,323
Net assets		103,662	108,305	(4,643)
Retained profits	(ii)	56,903	61,281	(4,378)
Non-controlling interests	(ii)	(8,118)	(7,853)	(265)
Total equity		103,662	108,305	(4,643)

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

Notes:

(i) Construction services

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

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

Before the adoption of HKFRS 15, retention monies receivable arising from construction contacts, that were conditional on the satisfaction of the service quality by the customer over a certain period as stipulated in the contracts, were presented in the consolidated statement of financial position under "Accounts receivable". Upon adoption of HKFRS 15, retention monies receivable is reclassified to contract assets. Accordingly, the Group reclassified HK$55,116,000 from accounts receivable to contract assets as at 1 April 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in contract assets of HK$83,017,000 and decreases in gross amount due from contract customers and accounts receivable of HK$9,306,000 and HK$62,031,000, respectively. It also resulted in an increase in contract liabilities by HK$139,090,000 and a decrease in gross amount due to contract customers by HK$122,767,000.

(ii) Other adjustments

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

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 Sale and Purchase Completion of the Disposal.

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2018 which has been extracted from the Group's published annual report for the year ended 31 March 2018 dated 21 June 2018, after taking into account the pro forma adjustments relating to the Disposal that are (i) clearly shown and explained; (ii) directly attributable to the Disposal and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Disposal had been completed on 31 March 2018.

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 2018 which have been extracted from the Group's published annual report for the year ended 31 March 2018 dated 21 June 2018 after taking into account the pro forma adjustments relating to the Disposal that are (i) clearly shown and explained; (ii) directly attributable to the Disposal and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Disposal had been completed on 1 April 2017.

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 Sale and Purchase Completion of the Disposal. 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, financial performance and cash flows of the Remaining Group following the Sale and Purchase Completion of the Disposal and do not purport to describe the actual financial position, financial performance and cash flows of the Remaining Group that would have been attained had the Disposal 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, financial performance or cash flows of the Remaining Group after Sale and Purchase Completion of the Disposal.

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 this circular, the information of the DCIHL Group as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group
As at 31 March 2018

	The Group (audited)	Pro forma adjustments		The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 7*	
NON-CURRENT ASSETS				
Property, plant and equipment	226,736	—	—	226,736
Investment properties	1,031,125	—	—	1,031,125
Investments in associates	118,352	(106,888)	—	11,464
Available-for-sale investments	21,641	—	—	21,641
Total non-current assets	1,397,854	(106,888)	—	1,290,966
CURRENT ASSETS				
Due from associates	576	—	—	576
Due from related companies	3,479	—	—	3,479
Properties held for sale under development and properties held for sale	1,130,094	—	—	1,130,094
Inventories	8,195	—	—	8,195
Accounts receivable	34,300	—	—	34,300
Prepayments, deposits and other receivables	30,938	—	—	30,938
Equity investment at fair value through profit or loss	4,510	—	—	4,510
Pledged deposits	126,000	—	—	126,000
Cash and cash equivalents	68,259	66,419	(4,889)	129,789
Total current assets	1,406,351	66,419	(4,889)	1,467,881
CURRENT LIABILITIES				
Accounts payable	12,253	—	—	12,253
Other payables and accruals	318,778	—	—	318,778
Due to associates	5,258	—	—	5,258
Tax payable	36,359	—	—	36,359
Interest-bearing bank and other borrowings	271,721	—	—	271,721
Total current liabilities	644,369	—	—	644,369
NET CURRENT ASSETS	761,982	66,419	(4,889)	823,512
TOTAL ASSETS LESS CURRENT LIABILITIES	2,159,836	(40,469)	(4,889)	2,114,478
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	340,241	—	—	340,241
Deferred tax liabilities	169,791	—	—	169,791
Total non-current liabilities	510,032	—	—	510,032
Net assets	1,649,804	(40,469)	(4,889)	1,604,446
EQUITY				
Equity attributable to owners of the Company				
Issued capital	97,788	—	—	97,788
Reserves	1,552,625	(40,469)	(4,889)	1,507,267
	1,650,413	(40,469)	(4,889)	1,605,055
Non-controlling interests	(609)	—	—	(609)
Total equity	1,649,804	(40,469)	(4,889)	1,604,446

Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Remaining Group
For the Year Ended 31 March 2018

	The Group (audited)	Pro forma adjustments		The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 3	*Note 4*	*Note 5*	
REVENUE	190,783	—	—	190,783
Cost of sales	(142,359)	—	—	(142,359)
Gross profit	48,424	—	—	48,424
Other income and gains	19,479	—	—	19,479
Fair value gain on investment properties, net	53,935	—	—	53,935
Administrative expenses	(68,609)	—	—	(68,609)
Other operating income/ (expenses), net	5,268	—	(30,239)	(24,971)
Finance costs	(3,935)	—	—	(3,935)
Share of profits and losses of associates	8,671	(8,961)	—	(290)
PROFIT BEFORE TAX	63,233	(8,961)	(30,239)	24,033
Income tax expense	(16,198)	—	—	(16,198)
PROFIT FOR THE YEAR	47,035	(8,961)	(30,239)	7,835
Attributable to:				
Owners of the Company	47,776	(8,961)	(30,239)	8,576
Non-controlling interests	(741)	—	—	(741)
	47,035	(8,961)	(30,239)	7,835

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

For the Year Ended 31 March 2018

	The Group (audited)	Pro forma adjustments		The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 6	*Note 4*	*Note 5*	
PROFIT FOR THE YEAR	47,035	(8,961)	(30,239)	7,835
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of foreign operations	135,802	—	—	135,802
Reclassification adjustment for a foreign operation disposed during the year	3,281	—	—	3,281
Share of other comprehensive loss of associates	850	(850)	—	—
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	139,933	(850)	—	139,083
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of leasehold land and buildings	13,152	—	—	13,152
Income tax effect	(2,610)	—	—	(2,610)
Share of other comprehensive income of associates	419	(419)	—	—
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	10,961	(419)	—	10,542
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	150,894	(1,269)	—	149,625
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	197,929	(10,230)	(30,239)	157,460
Attributable to:				
Owners of the Company	198,658	(10,230)	(30,239)	158,189
Non-controlling interests	(729)	—	—	(729)
	197,929	(10,230)	(30,239)	157,460

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

For the Year Ended 31 March 2018

	The Group (audited) *HK$'000* *Note 6*	Pro forma adjustments *HK$'000* *Note 4*	*HK$'000* *Note 5*	*HK$'000* *Note 7*	The Remaining Group (unaudited) *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	63,233	(8,961)	(30,239)	—	24,033
Adjustments for:					
Finance costs	3,935	—	—	—	3,935
Share of profits and losses of associates	(8,671)	8,961	—	—	290
Interest income	(3,323)	—	—	—	(3,323)
Fair value gain on investment properties, net	(53,935)	—	—	—	(53,935)
Dividend income from available-for-sale investments	(739)	—	—	—	(739)
Dividend income from equity investments at fair value through profit or loss	(111)	—	—	—	(111)
Loss on disposal of items of property, plant and equipment	21	—	—	—	21
Depreciation	10,498	—	—	—	10,498
Reversal of impairment of properties held for sale	(1,180)	—	—	—	(1,180)
Reversal of provision for inventories	(138)	—	—	—	(138)
Impairment of other receivables, net	1,392	—	—	—	1,392
Fair value gain on financial assets at fair value through profit or loss, net	(181)	—	—	—	(181)
Equity-settled share option expenses	52	—	—	—	52
Gain on disposal of subsidiaries	(6,214)	—	—	—	(6,214)
Loss on disposal of associates	—	—	28,069	—	28,069
	4,639	—	(2,170)	—	2,469
Decrease in properties held for sale under development and properties held for sale	102,251	—	—	—	102,251
Decrease in inventories	387	—	—	—	387
Decrease in accounts receivable	2,273	—	—	—	2,273
Decrease in prepayments, deposits and other receivables	1,732	—	—	—	1,732
Increase in accounts payable	2,187	—	—	—	2,187
Increase in other payables and accruals	35,403	—	—	—	35,403
Cash generated from operations	148,872	—	(2,170)	—	146,702
Interest paid	(46,896)	—	—	—	(46,896)
Overseas taxes paid	(18,742)	—	—	—	(18,742)
Net cash flows from operating activities	83,234	—	(2,170)	—	81,064
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	3,323	—	—	—	3,323
Dividend income from available-for-sale investments	739	—	—	—	739
Dividend income from equity investments at fair value through profit or loss	111	—	—	—	111
Purchases of items of property, plant and equipment	(799)	—	—	—	(799)
Proceeds from disposals of subsidiaries	89,521	—	—	—	89,521
Proceeds from the Disposal	—	—	68,589	—	68,589
Advances to associates, net	(511)	—	—	—	(511)
Decrease in pledged deposits	72,500	—	—	—	72,500
Net cash flows from investing activities	164,884	—	68,589	—	233,473
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank and other borrowings	439,030	—	—	—	439,030
Repayment of bank and other borrowings	(683,622)	—	—	—	(683,622)
Increase in amounts due from related companies	(842)	—	—	—	(842)
Dividends paid	(4,890)	—	—	(4,889)	(9,779)
Net cash flows used in financing activities	(250,324)	—	—	(4,889)	(255,213)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,206)	—	66,419	(4,889)	59,324
Cash and cash equivalents at beginning of year	67,787	—	—	—	67,787
Effect of foreign exchange rate changes, net	2,678	—	—	—	2,678
CASH AND CASH EQUIVALENTS AT END OF YEAR	68,259	—	66,419	(4,889)	129,789
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the statement of financial position and cash and cash equivalents as stated in the statement of cash flows	68,259	—	66,419	(4,889)	129,789

Notes:

1 The audited consolidated statement of financial position of the Group as at 31 March 2018 was extracted from the annual report of the Company for the year ended 31 March 2018 dated 21 June 2018.

2 The adjustment mainly represents (i) the estimated gross proceeds from the Disposal of HK$68.6 million; (ii) the estimated transaction costs directly attributable to the Disposal of approximately HK$2.2 million; (iii) the carrying amount of equity interest in the DCIHL Group of approximately HK$106.9 million; and (iv) the estimated loss on the Disposal of approximately HK$39.6 million as if the Disposal had taken place on 31 March 2018.

The calculation of the estimated loss on the Disposal to be recognised in profit or loss, as if the Disposal had taken place on 31 March 2018, is as follows:

	Notes	*HK$'000*
Cash consideration	(i)	68,589
Release of exchange fluctuation reserve of the DCIHL Group	(ii)	850
Carrying amount of equity interest in the DCIHL Group as at 31 March 2018	(iii)	(106,888)
Estimated loss on disposal as if the Disposal had taken place on 31 March 2018, before transaction costs		(37,449)
Less: Estimated transaction costs	(iv)	(2,170)
Estimated loss on disposal as if the Disposal had taken place on 31 March 2018, net of estimated transaction costs		(39,619)

Notes:

(i) 311,769,867 shares of DCIHL held by the Group is expected to be disposed of based on the disposal price (HK$0.22 per share). Therefore, the gross proceeds from the Disposal are estimated to be approximately HK$68.6 million.

(ii) The amount represents the share of exchange fluctuation reserve of the DCIHL Group to be released to profit or loss as if the Disposal had taken place on 31 March 2018.

(iii) The amount represents the carrying amount of the Group's 31.18% equity interests in the DCIHL Group of approximately HK$106.9 million, which has been accounted for as investments in associates in the Group's published annual report for the year ended 31 March 2018 dated 21 June 2018.

(iv) The transaction costs represent professional fees directly attributable to the Disposal which are estimated to be approximately HK$2.2 million and the same as the estimated related costs that as stated on page 10 of the Joint Announcement. It is assumed that the fees will be settled by cash.

Actual loss on disposal arising from the Disposal depends on actual carrying amount of equity interest in the DCIHL Group, actual amount of share of exchange fluctuation reserve of the DCIHL Group to be released to profit or loss on the completion date. Therefore, the actual loss on disposal shall be different from the amount calculated in the above table. The adjustment is not expected to have a continuing effect on the Remaining Group.

3 The audited consolidated statement or profit of loss and the audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2018 was extracted from the annual report of the Company for the year ended 31 March 2018 dated 21 June 2018.

4 The adjustment reflects the exclusion of the share of profit and other comprehensive income of the DCIHL Group for the year ended 31 March 2018 as if the Disposal had taken place on 1 April 2017.

The amount of this adjustment in the unaudited pro forma consolidated statement of profit or loss of the Remaining Group of HK$8,961,000 represents the Group's share (31.18%) of the profit for the year ended 31 March 2018 of the DCIHL Group of HK$28,742,000, which was directly extracted from page 111 of the Group's published annual report for the year ended 31 March 2018 dated 21 June 2018.

The amounts of this adjustment in the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group of HK$850,000 and HK$419,000 represent the Group's Share (31.18%) of the other comprehensive income to be reclassified to profit or loss and not to be reclassified to profit or loss in subsequent period of the DCIHL Group for the year ended 31 March 2018 of HK$2,726,000 and HK$1,342,000, respectively, totalling HK$4,068,000, which was directly extracted from page 111 of the Group's published annual report for the year ended 31 March 2018 dated 21 June 2018.

5 The adjustment represents (i) the estimated gross proceeds from the Disposal of approximately HK$68.6 million; (ii) the estimated transaction costs directly attributable to the Disposal which are estimated to be approximately HK$2.2 million and the same as the estimated related costs as stated on page 10 of the Joint Announcement. It is assumed that the fees will be settled by cash; (iii) the carrying amount of the Group's equity interest in the DCIHL Group of approximately HK$96.7 million; and (iv) the estimated loss on the Disposal of approximately HK$30.2 million as if the Disposal had taken place on 1 April 2017.

The calculation of the estimated loss on the Disposal to be recognised in profit or loss, as if the Disposal had taken place on 1 April 2017, is as follows:

	Notes	*HK$'000*
Cash consideration	(i)	68,589
Carrying amount of equity interest in the DCIHL Group as at 1 April 2017	(ii)	(96,658)
Estimated loss on disposal as if the Disposal had taken place on 1 April 2017, before transaction costs		(28,069)
Less: Estimated transaction costs	(iii)	(2,170)
Estimated loss on disposal as if the Disposal had taken place on 1 April 2017, net of estimated transaction costs		(30,239)

Notes:

(i) 311,769,867 shares of DCIHL held by the Group is expected to be disposed of based on the disposal price (HK$0.22 per share). Therefore, the gross proceeds from the Disposal are estimated to be approximately HK$68.6 million.

(ii) The amount represents the carrying amount of the Group's 31.18% equity interest in the DCIHL Group of approximately HK$96.7 million, which has been accounted for as investments in associates in the Group's published annual report for the year ended 31 March 2018 dated 21 June 2018.

(iii) The transaction costs represent professional fees directly attributable to the Disposal which are estimated to be approximately HK$2.2 million and the same as the estimated related costs as stated on page 10 of the Joint Announcement. It is assumed that the fees will be settled by cash.

Actual loss on disposal arising from the Disposal depends on actual carrying amount of equity interest in the DCIHL Group, actual amount of share of exchange fluctuation reserve of the DCIHL Group to be released to profit or loss on the completion date. Therefore, the actual loss on disposal shall be different from the amount calculated in the above table. The adjustment is not expected to have a continuing effect on the Remaining Group.

6 The audited consolidated statement of cash flows of the Group for the year ended 31 March 2018 was extracted from the annual report of the Company for the year ended 31 March 2018 dated 21 June 2018.

7 The adjustment represents the financial impact of the distribution of the Special Dividend of approximately HK$5 million calculated at HK$0.005 per share on the unaudited pro forma consolidated statement of financial position as at 31 March 2018 and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2018 of the Remaining Group, as if the distribution of the Special Dividend had taken place as of 31 March 2018 and 1 April 2017, respectively.

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

EY 安永

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 31 March 2018, 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 2018 and related notes as set out on pages III–2 to III–8 in Appendix III of the circular dated 24 May 2019 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 Group's proposed disposal of its equity interest in Deson Construction International Holdings Limited and the Company's proposed declaration of a special dividend as further set out in the Circular (the "**Proposed Transactions**") on the Group's financial position as at 31 March 2018 and the Group's financial performance and cash flows for the year ended 31 March 2018 as if the Proposed Transactions had taken place at 31 March 2018 and 1 April 2017, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's audited financial statements for the year ended 31 March 2018, on which an independent auditor's 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 behavior.

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 Transactions on unadjusted financial information of the Group as if the Proposed Transactions 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 Transactions 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 Transactions, 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' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Transactions 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 May 2019

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

	Number of shares held, capacity and nature of interest			
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Mr. Tjia *(Note 1)*	68,661,600 (L)	349,935,000 (L)	418,596,600	42.81%
Mr. Lu Quanzhang	150,000 (L)	—	150,000	0.02%
Mr. Wang Jing Ning	26,429,400 (L)	—	26,429,400	2.70%
Mr. Tjia Wai Yip, William	2,400,000 (L)	—	2,400,000	0.25%
Dr. Ho Chung Tai, Raymond	727,500 (L)	—	727,500	0.07%
Ir Siu Man Po	920,000 (L)	—	920,000	0.09%

Notes:

(L) denotes long position.

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

(ii) Long positions in ordinary shares of DCIHL

	Number of shares held, capacity and nature of interest			
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of DCIHL's issued share capital**
Mr. Tjia*	—	—#	—	—
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

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

Notes:

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

\# Mr. Tjia beneficially owns all the shares in Sparta. Prior to entering into of the Sale and Purchase Agreement, Sparta directly beneficially owned 26,645,015 shares in DCIHL 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 was previously deemed to be interested in 338,414,882 shares in DCIHL (being aggregate of 26,645,015 shares in DCIHL held by Sparta and 311,769,867 shares in DCIHL indirectly owned by the Company (through DDHL) which Sparta is deemed to be interested in). Given the entering into of the Sale and Purchase Agreement by among DDHL, Sparta, Mr. Tjia, the Purchaser and Mr. Wong, each of DDHL, Sparta and Mr. Tjia is deemed to have ceased to have any interests in DCIHL under the SFO.

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 ordinary/ underlying ordinary shares held	Percentage of the Company's issued share capital
Sparta *(Note 1)*	Beneficial owner	349,935,000	35.79%
Mr. Tjia	Interests of controlled corporation	349,935,000	35.79%
	Directly beneficially owned	68,661,600	7.02%
Granda Overseas Holding Co. Limited ("**Granda**") *(Note 2)*	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 2018, 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' 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 2018 (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 share purchase and shareholders agreement entered into on 1 June 2018 between Gosford Technology Limited ("**Gosford**") and Pamfleet Shanghai Real Estate Fund, L.P. regarding the acquisition of 10% share interest in Sky Fox Limited for the amount of USD623,488.64;

(b) the shareholders agreement entered into on 29 August 2018 among (i) Platinum Elite Limited ("**PEL**"), (ii) Gosford, (iii) Century Rosy Limited ("**CRL**"), a company wholly-owned by PEL and (iv) Continent Limited, a company wholly-owned by CRL, pursuant to which Gosford would acquire 5% share interest in CRL for the amount of USD2,000,000;

(c) the agreement entered into on 20 September 2018 between Universal Focus Developments Limited ("**Universal Focus**") and Excel Castle International Limited ("**Excel Castle**") regarding the advance in the amount of HK$16,955,640 made by the Universal Focus to Excel Castle;

(d) the shareholders' agreement entered into on 15 October 2018 by and among the Universal Focus, Southern Victory Investments Limited and Excel Castle governing the affairs of Excel Castle and the provision of a sum up to HK$62,980,000 to be made available by Universal Focus to Excel Castle;

(e) the subscription agreement entered into on 15 October 2018 between Universal Focus and Excel Castle regarding the subscription of 900,000 ordinary shares of Excel Castle by Universal Focus;

(f) the Sale and Purchase Agreement;

(g) the general partner shareholders' agreement (the "**Initial Shareholders Agreement**") entered into on 23 April 2019 by and among Pamfleet China GP II Limited ("**Pamfleet China**"), Gusto Brave Limited and New Perfect Limited, pursuant to which the parties agree to record their agreement in relation to the operation of the business and Pamfleet China, the control, management and funding of Pamfleet China and the shareholders' rights and obligations as shareholders of Pamfleet China;

(h) the deed of guarantee dated 24 April 2019 provided by David Holdsworth, Bruce Walker, Andrew Moore, Singuz Lo, Kelvin Wong, Randall Hall, Qiao Yu, Iris Li, Elsa Wong, Berry Lo and the Company (the "**Guarantors**") to Pamfleet Shanghai Real Estate Fund II, L.P. and the persons admitted as limited partners from time to time under the partnership agreement (the "**Beneficiaries**"), pursuant to which each of the Guarantors unconditionally and irrevocably, guarantees to each of the Beneficiaries the due performance of the obligations by the obligor solely to the extent of such Guarantor's pro rata share of the obligations;

(i) the first amended and restated PSREFII general partner shareholders' agreement entered into on 8 May 2019 by and among Pamfleet China, Gusto Brave Limited and New Perfect Limited, pursuant to which the parties agree to amend and restate the Initial Shareholders Agreement; and

(j) the subscription agreement for the interests in Pamfleet Shanghai Real Estate Fund II, L.P. entered into on 9 May 2019 between Pamfleet China and New Perfect Limited, pursuant to which New Perfect Limited agrees to subscribe for and purchase interests in the Pamfleet Shanghai Real Estate Fund II, L.P..

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 annual reports of the Company for each of the three financial years ended 31 March 2018;

(d) the interim report of the Company for the six months ended 30 September 2018;

(e) 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;

(f) the letter of consent referred to in paragraph headed "7. Qualification and consent of expert and expert' interests" in this appendix; and

(g) this circular.

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 Tuesday, 11 June 2019 at 11:30 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 RESOLUTIONS

1. "**THAT:**

   (a) the disposal by Deson Development Holdings Limited ("**Vendor**"), a direct wholly-owned subsidiary of the Company, of the 31.18% equity interest in Deson Construction International Holdings Limited 迪臣建設國際集團有限公司 ("**DCIHL**") at a consideration of HK$68,589,370.74 to Energy Luck Limited (the "**Purchaser**") pursuant to the sale and purchase agreement dated 12 April 2019 entered into between the Vendor, the Purchaser, Sparta Assets Limited, Mr. Tjia Boen Sien and Mr. Wong Kui Shing, Danny (the "**Sale and Purchase Agreement**", a copy of which has been produced to the meeting and marked "**A**" and signed by the chairman of the meeting for identification purposes) and all transactions contemplated under the Sale and Purchase Agreement (the "**Disposal**") be and are hereby approved and ratified; and

   (b) 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 Sale and Purchase Agreement they may in their absolute discretion consider necessary, desirable or expedient to give effect to the transactions under the Sale and Purchase 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."

* *For identification purpose only*

2. "**THAT:**

(a) conditional only upon the completion of the Sale and Purchase Agreement, the directors of the Company be and are hereby authorised to apply part of the proceeds from the Disposal together with the distributable reserve of the Company as the directors of the Company think fit, for distribution of a special dividend of HK$0.005 per share of the Company; and

(b) the directors of the Company be and are hereby authorised generally to do all acts and things as may be necessary, desirable or expedient to implement or to give effect to the foregoing."

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

Hong Kong, 24 May 2019

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 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.

7. The register of members of the Company will be closed from 5 June 2019 to 11 June 2019, both days inclusive. During this period, no transfer of Shares will be registered. In order to attend and vote at the SGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with 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 not later than 4:30 p.m. on 4 June 2019.