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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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**DESON DEVELOPMENT INTERNATIONAL HOLDINGS LIMITED**

**迪臣發展國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 262)**

**MAJOR TRANSACTION  
FORMATION OF A JOINT VENTURE AND DISPOSAL OF A SUBSIDIARY  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

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A letter from the Board is set out on pages 6 to 20 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 Thursday, 10 November 2016 at 10:30 a.m. or any adjourned meeting thereof is set out on pages 41 to 42 of this circular. A form of proxy for use by the Shareholders of the Company at the SGM is enclosed herein.

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

\* *For identification purpose only*

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## DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 30 September 2016 entered into between DVL, the Company and the Joint Venture in relation to the Disposal;
“Announcement”	the announcement made by the Company on 30 September 2016 in relation to the formation of the Joint Venture and the Disposal;
“Balance of Consideration”	the Consideration less the Deposit, (being the sum of US\$ equivalent of approximately RMB65.6 million (equivalent to approximately HK\$78.8 million));
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Call Option”	the call option granted to Hoverjet pursuant to the Shareholders’ Agreement exercisable at its discretion to purchase all or part of the Option Shares from DVL at any time during the period of 5 years from the Completion Date;
“Company”	Deson Development International Holdings Limited 迪臣發展國際集團有限公司*, an exempted company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Agreement;
“Completion Date”	the date of Completion, being the fifteenth business day after the date on which the last of the Conditions Precedent is fulfilled or waived;
“Conditions Precedent”	the conditions precedent to the Completion;
“Connected Persons”	has the same meaning ascribed to it under the Listing Rules;

\* For identification purpose only

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## DEFINITIONS

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“Consideration”	the consideration in the sum of US\$ equivalent of approximately RMB82.1 million (equivalent to approximately HK\$98.5 million) for the Disposal, subject to adjustments (if any) to be made pursuant to the Agreement;
“DCIHL”	Deson Construction International Holdings Limited 迪臣建設國際集團有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 18 July 2014 and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8268), which is a subsidiary of the Company;
“Deposit”	the sum of approximately US\$2.5 million (equivalent to approximately HK\$19.2 million) paid by the Joint Venture to DVL on the date of the Agreement as the deposit and part payment towards the Consideration for the Sale Shares;
“Directors”	the directors of the Company;
“Disposal”	the proposed disposal of the Sale Shares by DVL to the Joint Venture pursuant to the Agreement;
“DVL”	Deson Ventures Limited, a company incorporated in the BVI and an indirectly wholly-owned subsidiary of the Company;
“Earnest Sum”	a sum of approximately US\$0.6 million (equivalent to approximately HK\$5 million) which has been paid by the Joint Venture to DVL pursuant to the Memorandum of Understanding;
“Group”	the Company and its subsidiaries;
“HKFRS”	Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hoverjet”	Hoverjet Limited, a company incorporated in the BVI;
“Huasheng”	華勝國際置業開發(上海)有限公司 (Huasheng International Real Estate Development (Shanghai) Co., Ltd), a company established under the laws of the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;

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## DEFINITIONS

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“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;
“Investment Cost”	the US\$ sum per JV Share derived from dividing the Consideration finally paid by the Joint Venture under the Agreement (as adjusted pursuant to the Agreement) by 100 JV Shares;
“Joint Venture”	New Leaves Limited, a company incorporated in the BVI with limited liability, which is to be owned as to 70% by Hoverjet and 30% by DVL pursuant to the Shareholders’ Agreement;
“JV Shares”	ordinary shares in the issued share capital of the Joint Venture;
“Latest Practicable Date”	19 October 2016, 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”	5 January 2017 or such other date as may be agreed by the parties in writing;
“Memorandum of Understanding”	the Memorandum of Understanding dated 18 May 2016 entered into between the Company, DVL and Hoverjet, as supplemented by the supplemental letters dated 8 June 2016, 15 July 2016, 15 August 2016 and 15 September 2016;
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers;
“Option Shares”	means the JV Shares held by DVL at the date of the exercise of the Call Option;
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Promissory Notes”	collectively referring to Promissory Note A, Promissory Note B and Promissory Note C;

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## DEFINITIONS

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“Promissory Note A”	a 12-month promissory note with principal amount of US\$ equivalent of approximately RMB2.6 million bearing interest at 5.75% per annum to be executed and issued by the Joint Venture in favour of DVL or its nominee at Completion Date;
“Promissory Note B”	a 24-month promissory note with principal amount of US\$ equivalent of approximately RMB2.5 million bearing interest at 5.75% per annum to be executed and issued by the Joint Venture in favour of DVL or its nominee at Completion Date;
“Promissory Note C”	a 36-month promissory note with principal amount of US\$ equivalent of approximately RMB42.9 million bearing interest at 6.10% per annum to be executed and issued by the Joint Venture in favour of DVL or its nominee at Completion Date;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	the 1,170,000 shares of US\$10.00 each, fully paid-up and representing the entire issued share capital of the Target Company;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	special general meeting held by the Company;
“Share(s)”	ordinary shares in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Shareholders’ Agreement”	the shareholders’ agreement dated 30 September 2016 entered into between Hoverjet, DVL and the Joint Venture relating to the management of the Joint Venture’s business;
“Shareholder Loan Agreement”	the shareholder loan agreement dated 30 September 2016 entered into between the Joint Venture and DVL relating to the interest-free shareholder loan of approximately US\$0.7 million granted by DVL to the Joint Venture;

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## DEFINITIONS

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“Sparta”	Sparta Assets Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien;
“sq. metres”	square metres;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules;
“Target Company”	Yew Siang Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company and the legal and beneficial owner of all the registered capital of Huasheng;
“Target Group”	the Target Company and its subsidiary, namely Huasheng and each of the Target Company and Huasheng is referred to herein as a “Target Group Company” and collectively as “Target Group Companies”;
“Target Property”	the property which is known as the Starway Parkview South Station Hotel (formerly known as Shanghai Parkview Business hotel) located at Nos. 206, 208, 218, 220, 222, No. 1-3, 5-12, 15-23, 25, 26 of Lane 228 Bai Se Road, adjacent to the Shanghai Botanical Garden and near the perimeter of the Middle Ring Road, Shanghai Municipality, the PRC, including all of the fit-outs, equipment and facilities therein and 6 underground car park lots Nos. 3, 4, 22, 70, 78 and 79 therein, and which will be operated as a service apartment;
“Transactions”	collectively, the investment in the Joint Venture, the granting of the Call Option and the Disposal; and
“%”	per cent.

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LETTER FROM THE BOARD

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**DESON DEVELOPMENT INTERNATIONAL HOLDINGS LIMITED**

迪臣發展國際集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 262)**

*Executive Directors:*

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

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Independent non-executive Directors:*

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

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

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

24 October 2016

*To the Shareholders*

Dear Sirs,

**MAJOR TRANSACTION  
FORMATION OF A JOINT VENTURE AND DISPOSAL OF A SUBSIDIARY  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement in relation to the formation of the Joint Venture and the Disposal.

On 30 September 2016, DVL, being a wholly-owned subsidiary of the Company, has entered into the Shareholders' Agreement with Hoverjet and the Joint Venture to establish a joint venture for the purpose of the Disposal. On the same date, DVL as the vendor, the Company as the guarantor, and the Joint Venture as the purchaser, entered into the Agreement, pursuant to which, DVL has conditionally agreed to sell and the Joint Venture has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, for the Consideration.

\* For identification purpose only

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## LETTER FROM THE BOARD

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Pursuant to the Shareholders' Agreement, on the date of the Shareholders' Agreement, Hoverjet has transferred 30 JV Shares, representing 30% of the issued and paid-up share capital of the Joint Venture to DVL for the consideration of US\$30. Upon completion of such a transfer of the JV Shares, the Joint Venture is owned as to 70% by Hoverjet and 30% by DVL. On the same date, each of Hoverjet and DVL has granted interest-free shareholders' loans in the aggregate sum of approximately US\$2.5 million (equivalent to approximately HK\$19.2 million) in proportion of their shareholdings on such terms and conditions as set out in the shareholders' loan agreements. The Joint Venture is a company incorporated in the BVI for the purpose of entering into the Disposal so that it will be the holding company of the Target Group. The Joint Venture will be accounted for as an associate of the Company and its results, assets and liabilities will not be consolidated in the accounts of the Company. Furthermore, as provided in the Shareholders' Agreement, DVL has granted the Call Option to Hoverjet to require DVL to sell all the remaining JV Shares held by DVL, which option is exercisable at any time during the period of 5 years from the Completion Date.

The Target Company is a company incorporated in the BVI, which in turn owns all the equity interests in Huasheng that owns the Target Property, which is known as the Starway Parkview South Station Hotel located adjacent to the Shanghai Botanical Gardens and near the perimeter of the Middle Ring Road in Shanghai, the PRC. It is intended that the Target Property will be converted into and operated as a service apartment after the Completion. Upon Completion, the Target Group will cease to be subsidiaries of DVL and the Company and the results, assets and liabilities of the Target Group will cease to be consolidated into the accounts of the Company.

Given that the Transactions are a series of transactions involving the acquisition or disposal of parts of one asset, the Transactions will be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in relation to the Transactions exceed 25% but is less than 75%, the Transactions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders shall abstain from voting in respect of the resolution approving the Transactions, the Shareholders' Agreement and the Agreement.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Shareholders' Agreement, the Agreement, the Transactions and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) the notice of the SGM.

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## LETTER FROM THE BOARD

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### THE SHAREHOLDERS' AGREEMENT

Date: 30 September 2016

Parties: (1) DVL;  
(2) Hoverjet; and  
(3) the Joint Venture.

As at the Latest Practicable Date, the Joint Venture is owned as to 70% by Hoverjet and 30% by DVL. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Hoverjet and its ultimate beneficial owner(s) are Independent Third Parties.

### Business objectives of the Joint Venture

The Joint Venture is a company incorporated in the BVI for the purpose of entering into the Disposal so that it will be the holding company of the Target Group. The Target Company is a company incorporated in the BVI, which in turn owns all the equity interests in Huasheng that owns the Target Property, which is known as the Starway Parkview South Station Hotel located adjacent to the Shanghai Botanical Gardens and near the perimeter of the Middle Ring Road in Shanghai, the PRC. It is intended that the Target Property will be converted into and operated as a service apartment after the Completion.

### Shareholding structure and acquisition of the JV Shares

Pursuant to the Shareholders' Agreement, on the date of the Shareholders' Agreement, Hoverjet has transferred 30 JV Shares, representing 30% of the issued and paid-up share capital of the Joint Venture to DVL for the consideration of US\$30. Upon completion of such a transfer of the JV Shares, the Joint Venture is owned as to 70% by Hoverjet and 30% by DVL. On the same Date, each of Hoverjet and DVL has granted interest-free shareholders' loans in the aggregate sum of approximately US\$2.5 million (equivalent to approximately HK\$19.2 million) in proportion of their shareholdings on such terms and conditions as set out in the shareholders' loan agreements. The terms and conditions of the shareholders' loans were determined after arm's length negotiation between the parties to the Shareholders' Agreement with reference to the initial capital requirement of the Joint Venture, which will be used to pay the Deposit for the Disposal that is due to DVL under the Agreement. The shareholder's loan granted by DVL of approximately US\$0.7 million (equivalent to approximately HK\$5.8 million) was funded by internally generated resources of the Group. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Shareholders' Agreement and the Shareholders Loan Agreement were fair and reasonable and in the interest of the Company and its Shareholders taken as a whole.

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## LETTER FROM THE BOARD

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### **Composition of board of directors of the Joint Venture**

The board of directors of the Joint Venture shall comprise of up to 3 directors, where 2 directors shall be nominated by Hoverjet and 1 director shall be nominated by DVL (for as long as DVL has shareholding interest in the Joint Venture of not less than 20%). Hoverjet shall also be entitled to appoint and at any time remove or substitute 2 directors of each of the Target Company and Huasheng, while DVL shall be entitled to appoint and at any time remove or substitute 1 director of each of the Target Company and Huasheng.

### **Restrictions on transfer**

Other than a transfer of shares pursuant to the Call Option, no shareholders of the Joint Venture shall transfer its shares for a period of 2 years from the Completion Date. Any transfer of the JV Shares by a shareholder to a third party will be subject to the right of first refusal of the other shareholder. Shareholders shall have a pre-emption right with respect to any future issue of JV Shares.

In the event a transferring shareholder proposes to transfer any JV Shares to a third party and the non-transferring shareholder elects not to exercise its right of first refusal, the non-transferring shareholder shall have a tag-along right to sell its shares simultaneously on terms and conditions that are no less favourable than those specified in the transfer notice. In addition, if the transferring shareholder is Hoverjet and the non-transferring shareholder elects not to exercise its right of first refusal, Hoverjet may exercise its drag-along right to require the non-transferring shareholder to sell its shares on terms and conditions that are no less favourable than those specified in the transfer notice.

### **Financing**

Subject to the terms of the Shareholders' Agreement, all further financial requirements of the Joint Venture and the Target Group shall be funded by external borrowings (on such terms as may be determined by the board of directors of the Joint Venture) or other means of fund raising (including fund raising from capital markets).

### **Call Option**

Furthermore, as provided in the Shareholders' Agreement, given that the Joint Venture was established on the date of the Shareholders' Agreement, on the date of the Shareholders' Agreement, DVL has granted the Call Option to Hoverjet to require DVL to sell all the remaining JV Shares held by DVL, which option is exercisable at any time during the period of 5 years from the Completion Date. No premium is payable by Hoverjet for the Call Option. The Call Option is not transferable. The consideration for the Option Shares shall be as determined in accordance with the valuation of the Option Shares by an auditor to be appointed, with reference to, amongst others, the market valuation of the real property assets of the Target Group, other tangible assets and related liabilities, provided always that the consideration determined shall in any event be not less than the Investment Costs of the Option Shares. The Investment Costs of the Option Shares, being 30% of the Consideration, are the US\$ equivalent of approximately RMB24.6 million (equivalent to approximately HK\$29.5 million) (subject to adjustments, if any). To the best estimation of the Company

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## LETTER FROM THE BOARD

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based on the expected market value of the Target Property after renovation of approximately RMB224.7 million (equivalent to approximately HK\$269.6 million), which is derived from the expected annual rental income of the Target Property of RMB13.5 million (equivalent to approximately HK\$16.2 million) (based on an estimated rental of RMB5.00 per square meter per day) divided by the capitalisation rate of the Target Property of 6%, the estimated maximum amount of the exercise price for the Option Shares will be approximately the US\$ equivalent of approximately RMB67.4 million (equivalent to approximately HK\$80.9 million).

### **Termination**

The Shareholders' Agreement shall terminate upon the mutual written agreement of all the shareholders of the Joint Venture, upon liquidation or making of an order for the winding-up of the Joint Venture (other than for the purpose of reconstruction or amalgamation), if all the JV Shares are being held beneficially by one shareholder only, if Completion under the Agreement pursuant to its terms is not achieved by 31 January 2017 or if there is an event of default under the Shareholders' Agreement.

In the event of termination due to an event of default, the non-defaulting shareholder may exercise its option to purchase the shares held by the defaulting shareholder based on the valuation as determined by an auditor to be appointed, with reference to, amongst others, the market valuation of the real property assets of the Target Group, other tangible assets and related liabilities, provided always that the consideration determined shall in any event be not less than the Investment Costs of such shares.

### **THE AGREEMENT**

Date: 30 September 2016

Parties: (1) DVL as the vendor;  
(2) the Company as the guarantor; and  
(3) the Joint Venture as the purchaser.

As at the Latest Practicable Date, the Joint Venture is owned as to 70% by Hoverjet and 30% by DVL. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Hoverjet and its ultimate beneficial owner(s) are Independent Third Parties.

### **The Disposal and assets being disposed of**

Subject to the terms and conditions of the Agreement, DVL has conditionally agreed to sell, and the Joint Venture has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company. The Company has agreed to guarantee the performance of DVL of its obligations under the Agreement.

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## LETTER FROM THE BOARD

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The Target Company is a company incorporated in the BVI, which in turn owns all the equity interests in Huasheng that owns the Target Property, which is known as the Starway Parkview South Station Hotel located adjacent to the Shanghai Botanical Gardens and near the perimeter of the Middle Ring Road in Shanghai, the PRC. It is intended that the Target Property will be converted into and operated as a service apartment after the Completion.

### Consideration

The Consideration of US\$ equivalent of approximately RMB82.1 million (equivalent to approximately HK\$98.5 million) (subject to adjustments, if any), is payable as follows:

- (i) a sum equivalent to the Deposit less the Earnest Sum has been paid by a cashier's order drawn on a licensed bank in Hong Kong and made payable to DVL on the date of the Agreement;

and

- (ii) if drawdown of the loan obtained by the Joint Venture in whole is achieved prior to the Completion Date, the Balance of Consideration shall be paid by a cashier's order drawn from a licensed bank in Hong Kong in US\$ and made payable to DVL at Completion;

or, as an alternative to paragraph (ii),

- (iii) if drawdown of the loan obtained by the Joint Venture in whole is not achieved prior to the Completion Date, the Balance of Consideration shall be paid to DVL in the manner set forth below:

- (a) a sum of US\$ equivalent of approximately RMB17.6 million (equivalent to approximately HK\$21.2 million), shall be paid by way of a cashier's order drawn from a licensed bank in Hong Kong in US\$ and made payable to DVL on the Completion Date; and
- (b) the balance sum of US\$ equivalent of approximately RMB48 million (equivalent to approximately HK\$57.6 million) to be satisfied by the Promissory Notes issued on the Completion Date.

The Consideration was determined after arm's length negotiation between DVL and the Joint Venture with reference to the net asset value of the Target Group, in the amount of approximately HK\$95.7 million as at 31 August 2016. The Consideration may be adjusted upwards or downwards based on the increase or decrease in the net asset value of the Target Group as of the Completion Date when compared to that of 31 December 2016. The Directors (including the independent non-executive Directors) consider that the Consideration was fair and reasonable and in the interest of the Company and its Shareholders taken as a whole.

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## LETTER FROM THE BOARD

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If the Conditions Precedent have been fulfilled and Completion does not take place because the Joint Venture has failed to perform any one or more of its obligations of payment of the Consideration under the Agreement, and the Agreement is terminated by DVL in accordance with the Agreement, the Deposit will be forfeited to DVL upon such termination and DVL shall be entitled to sell or otherwise deal with the Sale Shares as DVL shall in its absolute discretion think fit but without prejudice to any other rights which DVL may claim against the Joint Venture.

### The Promissory Notes

	<b>Promissory Note A</b>	<b>Promissory Note B</b>	<b>Promissory Note C</b>
Issuer:	The Joint Venture	The Joint Venture	The Joint Venture
Principal amount:	US\$ equivalent of approximately RMB2.6 million	US\$ equivalent of approximately RMB2.5 million	US\$ equivalent of approximately RMB42.9 million
Interest:	5.75% per annum	5.75% per annum	6.10% per annum
Maturity date:	12 calendar months after the date of issue	24 calendar months after the date of issue	36 calendar months after the date of issue
Repayment:	All payments of interest and principal amount (other than payment by way of conversion) under the Promissory Note A shall be paid in U.S. dollars on the maturity date to a bank account designated by DVL by wire transfer of immediately available funds. All payments shall be applied first to accrued interest, and thereafter to the principal amount. The payment obligations of the Joint Venture under the Promissory Note A shall at all times rank at least pari passu with the claims of all its unsecured and subordinated creditors, except for obligations mandatorily preferred by law applicable to the Joint Venture.	All payments of interest and principal amount (other than payment by way of conversion) under the Promissory Note B shall be paid in U.S. dollars on the maturity date to a bank account designated by DVL by wire transfer of immediately available funds. All payments shall be applied first to accrued interest, and thereafter to the principal amount. The payment obligations of the Joint Venture under the Promissory Note B shall at all times rank at least pari passu with the claims of all its unsecured and subordinated creditors, except for obligations mandatorily preferred by law applicable to the Joint Venture.	All payments of interest and principal amount (other than payment by way of conversion) under the Promissory Note C shall be paid in U.S. dollars on the maturity date to a bank account designated by DVL by wire transfer of immediately available funds. All payments shall be applied first to accrued interest, and thereafter to the principal amount. The payment obligations of the Joint Venture under the Promissory Note C shall at all times rank at least pari passu with the claims of all its unsecured and subordinated creditors, except for obligations mandatorily preferred by law applicable to the Joint Venture.

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## LETTER FROM THE BOARD

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	<b>Promissory Note A</b>	<b>Promissory Note B</b>	<b>Promissory Note C</b>
Early Repayment:	The Joint Venture may redeem all or part of the Promissory Note A at any time prior to the maturity date at its principal amount outstanding together with all interest accrued and unpaid on the principal so redeemed up to the date of full repayment by giving not less than 14 days notice of early repayment to DVL.	The Joint Venture may redeem all or part of the Promissory Note B at any time prior to the maturity date at its principal amount outstanding together with all interest accrued and unpaid on the principal so redeemed up to the date of full repayment by giving not less than 14 days notice of early repayment to DVL.	The Joint Venture may redeem all or part of the Promissory Note C at any time prior to the maturity date at its principal amount outstanding together with all interest accrued and unpaid on the principal so redeemed up to the date of full repayment by giving not less than 14 days notice of early repayment to DVL.
Transferability:	With the prior written consent of the Joint Venture, provided that such consent shall not be unreasonably withheld, DVL may assign, transfer, endorse or in any other way alienate any of its rights under the Promissory Note A whether in whole or in part.	With the prior written consent of the Joint Venture, provided that such consent shall not be unreasonably withheld, DVL may assign, transfer, endorse or in any other way alienate any of its rights under the Promissory Note B whether in whole or in part.	With the prior written consent of the Joint Venture, provided that such consent shall not be unreasonably withheld, DVL may assign, transfer, endorse or in any other way alienate any of its rights under the Promissory Note C whether in whole or in part.

### **Conditions Precedent of the Agreement**

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

- (i) the shareholders' approval of the Company approving the entering into by the Company and DVL of the Agreement, the Shareholders' Agreement and the transactions contemplated thereunder having been obtained in accordance with the requirements of the Listing Rules or any other applicable laws or regulations, if so required;
- (ii) the written-off of certain motor vehicles from the books of Huasheng and the motor vehicles be removed from the asset register of Huasheng, with the licence registrations to the motor vehicles to remain with Huasheng, without any claims against or liabilities to the Target Group, or such claims or liabilities have been fully settled and discharged;
- (iii) the ownership of a certain residential apartment of Huasheng is being transferred to such third party, without any claims against or liabilities to the Target Group, or such claims or liabilities have been fully settled and discharged;

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## LETTER FROM THE BOARD

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- (iv) other than the intercompany payables and receivables between the Target Company and Huasheng, all intercompany payables and receivables have been fully discharged, written off, waived or repaid in the manner that is satisfactory to the Joint Venture, with evidence of such discharge, write-off, waiver and/or repayment, provided by DVL to the Joint Venture's satisfaction; and
- (v) no event or circumstance shall have occurred in respect of or in connection with the affairs of the Target Company, Huasheng and/or the Target Property which has or will have a material adverse effect.

If the Conditions Precedent were not fulfilled by the Long Stop Date (other than due to a breach of DVL), the Agreement shall thereupon become terminated and cease to be of effect and DVL shall return, or procure the return of, the Deposit (without interest) to the Joint Venture forthwith 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 Agreement. If the Conditions Precedent were not fulfilled by the Long Stop Date as a result of a breach of DVL, the Agreement shall thereupon become terminated and cease to be of effect and DVL shall return, or procure the return of, the Deposit (without interest) to the Joint Venture forthwith and shall pay to the Joint Venture in immediately available funds and in US\$ to such bank account designated by the Joint Venture an amount equivalent to the Deposit amount as a genuine and reasonable pre-estimate of the losses that the Joint Venture will incur or suffer as a result thereof, 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 Agreement.

Paragraphs (ii) and (iii) of the Conditions Precedent above have been included after lengthy negotiations among the Joint Venture and DVL and after DVL has made a commercial decision to include them, having considered the facts that (a) the Joint Venture is only interested in acquiring the Target Property (by way of acquisition of shares in the Target Company) and would like DVL to clean up all the other residual assets of the Target Group, being certain motor vehicles (which are old and have no commercial value) and the ownership of a certain residential apartment of Huasheng (which has been sold but transfer of ownership was still being processed as at the date of the Agreement); and (b) such items are being controlled by DVL and capable of being fulfilled by the Long Stop Date.

### **Completion**

Subject to the satisfaction of the Conditions Precedent and other terms and conditions of the Agreement, the Completion of the Agreement shall take place on the Completion Date in Hong Kong.

Upon Completion, the Target Group will cease to be subsidiaries of DVL and the Company and the results, assets and liabilities of the Target Group will cease to be consolidated into the accounts of the Company.

### **Tax indemnity by DVL**

DVL, the Company and the Joint Venture further agree that Huasheng shall be responsible to settle all outstanding taxation payable by it in relation to Huasheng and the Target Property, including but not limited to corporate income tax, land appreciation tax, and other forms of tax, local surcharge, levy, impost, contribution, duty and liability in the nature of taxation and all related withholdings or deductions of any nature (including, for

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## LETTER FROM THE BOARD

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the avoidance of doubt, social insurance contribution liabilities in the PRC) and corporate income tax arising from the Disposal which is charged to DVL for tax periods ending on the Completion Date up to a maximum amount of RMB25 million. In the event that the outstanding taxation for tax periods ending on the Completion Date payable by Huasheng exceeds RMB25 million, DVL shall indemnify the Joint Venture for such amount of taxation in excess of RMB25 million. For the avoidance of doubt, if solely as a result of a sale of the owned property (other than any sale of certain underground carpark) by Huasheng, that Huasheng's liability for taxation (including but not limited to corporate income tax, land appreciation tax, and other forms of tax, local surcharge, levy, impost, contribution, duty and liability in the nature of taxation and all related withholdings or deductions of any nature (including, for the avoidance of doubt, social insurance contribution liabilities in the PRC)) for tax periods before the Completion Date is increased, then such additional amount of taxation liability shall be borne solely by Huasheng and DVL shall not be required to indemnify the Joint Venture for such additional amount of taxation liability.

The maximum amount of taxation payable by Huasheng of RMB25 million was determined based on a taxation advice obtained by Huasheng from its PRC tax advisor, calculated based on (i) the estimated total land appreciation tax payable by Huasheng and less the amount already paid by Huasheng; and (ii) the estimated taxation to be paid pursuant to the Notice of the State Administration of Taxation on Strengthening the Administration of Corporate Income Tax on Gains derived by Non-resident Enterprise from Equity Transfers, Guoshuihan [2009] No. 698 (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》(國稅函(2009)698號)) and related rules and laws including the Announcement of the PRC State Administration of Taxation on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Assets by Non-Resident Enterprises, Gong Gao [2015] No. 7 (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(2015年第七號公告)) dated 3 February 2015 arising from the Disposal. The Directors of the Company estimated that the maximum taxation amount to be indemnified by DVL (if any) should be minimal and should not exceed RMB2 million.

### INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Target Company, being a direct wholly-owned subsidiary of DVL, is an indirect wholly-owned subsidiary of the Company. The Target Company wholly-owns all the equity interests in Huasheng that owns the Target Property.

As at the Latest Practicable Date, the Target Property is being used as a business hotel which is known as the Starway Parkview South Station Hotel located adjacent to the Shanghai Botanical Gardens and near the perimeter of the Middle Ring Road in Shanghai, the PRC. It is intended that the Target Property will be converted into and operated as a service apartment after the Completion.

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## LETTER FROM THE BOARD

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Set out below is the audited consolidated financial information of the Target Group for the years ended 31 March 2015 and 31 March 2016, respectively, prepared under HKFRS:

	<b>For the year ended 31 March 2015</b> <i>HK\$'000</i>	<b>For the year ended 31 March 2016</b> <i>HK\$'000</i>
Net profit before taxation	8,467	9,743
Net profit after taxation	7,023	6,108

As at 31 August 2016, the unaudited consolidated net asset value of the Target Group was approximately HK\$95.7 million.

### FINANCIAL EFFECT OF THE TRANSACTIONS

It is expected that, the Company will record a gain from the Disposal of approximately HK\$2.7 million (subject to audit and before expenses and taxes), which is calculated based on the difference between the Consideration attributable to the Sale Shares and the unaudited consolidated net asset value of the Target Group as of 31 August 2016.

At the grant of the Call Option, given that there is no agreed fixed exercise price and on the basis that the exercise price will be at least the Investment Costs (which in turn was determined with reference to the net asset value of the Target Group), there is no difference in fair value of the underlying right of the Call Option. Accordingly, there will be no recognition of financial liabilities in the consolidated statement of financial positions of the Company and no recognition of fair value gain or loss in the consolidated statement of profit or loss of the Company. As the exercise price is not fixed at this moment, there will not be any subsequent fair value change to be recognised as profit or loss in the consolidated statement of profit or loss of the Company. At the time of exercise of the Call Option, the Call Option remains nil value, there will be no impact in the consolidated statement of financial positions or the consolidated statement of profit or loss relating to fair value of the underlying right of the Call Option. The actual gain or loss from the disposal arising from the exercise of the Call Option will depend on the actual exercise price paid and calculated against the then consolidated net asset value of the Target Group.

Shareholders should note that the exact amount of the gain on the Disposal to be recorded in the consolidated statement of profit or loss of the Group for the year ending 31 March 2017 and the accounting treatments of the value of the Call Option and the gains or losses from the disposal arising from the exercise of the Call Option are subject to audit, and will be calculated based on the net asset value of the Target Group as at Completion or as at the completion of transfer of the Option Shares after the exercise of the Call Option, respectively, and net of any incidental expenses and therefore may be varied from the figures provided above.

### USE OF PROCEEDS FROM THE DISPOSAL

It is intended that the net proceeds from the Disposal will be applied for investment and capital expenditure and as general working capital of the Group as follows:

- (a) approximately 36% of the net proceeds will be used by the Group for repayment of bank and other borrowings of its projects in Kaifeng, the PRC, so as to reduce the overall interest expenses of the Group;

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## LETTER FROM THE BOARD

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- (b) approximately 27% of the net proceeds will be used by the Group for repayment of bank and other borrowings in Hong Kong, the PRC, so as to reduce the overall interest expenses of the Group; and
- (c) the remaining 37% of the net proceeds will be used by the Group for its general working capital for its operations in Hong Kong as well as its projects in Kaifeng, the PRC.

### INFORMATION OF HOVERJET

Hoverjet is an investment holding company incorporated in the BVI. It is an investment made by Partners Group, the global private markets investment manager, on behalf of its clients and operated by Pamfleet, an experienced real estate investment advisor in Asia.

### INFORMATION OF THE GROUP

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

### REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Board considers that the Disposal will bring in a strategic shareholder with strong real estate management background which will help to improve the long term growth potential of the Target Property, which will be beneficial to the Group and Shareholders as a whole. The Target Property is a mature asset, which whilst providing a stable rental income, does not have the growth in terms of earnings expected by the Board. The Company wishes to realise the full value of the Target Property. The Disposal enables the Group to recycle capital into future investment opportunities. 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. On the other hand, the Joint Venture enables the Group to continue to have a share of profit from the long term growth potential of the Target Property. Hoverjet and DVL have agreed the mechanism in determining the exercise price of the Call Option in the Shareholders' Agreement. The Call Option, once exercised by Hoverjet, will require the Group to sell the Option Shares at the pre-determined price, being the price to be determined in accordance with the valuation of the Option Shares by an auditor to be appointed, with reference to, amongst others, the market valuation of the real property assets of the Target Group, other tangible assets and related liabilities but in no event that it shall be less than the Investment Costs of the Option Shares. The management of the Company is of the view that, as at the Latest Practicable Date, the real property market in Shanghai remains challenging. The value of the Target Property may go upwards or downwards after the Completion Date. The Call Option allowed the Group to lock in the minimum exercise price that the Group will be required to sell if at the time of the exercise of the Call Option by Hoverjet, the market value of the Target Property falls below the current market value (as the exercise price of the Option Shares will not be less than the Investment Costs). At the same time, the Call Option, once exercised by Hoverjet, will require DVL to sell the Option Shares based on the market value of the Target Property without the need to further renegotiate with Hoverjet if the market value of the Target

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## LETTER FROM THE BOARD

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Property appreciates above the Investment Costs at the time of the exercise of the Call Option by Hoverjet. Accordingly, the Call Option under the Shareholders' Agreement will provide an exit opportunity of the Company's investment in the Joint Venture.

Having regard to the benefits from the Transactions and the expected gain from the Disposal as stated above, the Directors (including the independent non-executive Directors) consider that the terms of the Shareholders' Agreement and the Agreement are fair and reasonable and the Transactions are on normal commercial terms and in the ordinary usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

### IMPLICATION OF THE LISTING RULES

As none of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the formation of the Joint Venture exceed 5%, the entering into of the Shareholders' Agreement does not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.74 of the Listing Rules, the grant of the Call Option (the exercise of which is not at the Company's discretion) will be classified as if the Call Option had been exercised. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Call Option exceed 5% but are less than 25%, the granting of the Call Option constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but does not require approval of the Shareholders under Chapter 14 of the Listing Rules. To the best estimation of the Company, the exercise of the Call Option by Hoverjet, in aggregation with the Disposal under the Agreement, will not result in a change in the transaction classification of the Disposal under Chapter 14 of the Listing Rules. The Company will comply with the applicable requirements of the Listing Rules and make further disclosure in this respect if and when appropriate at the time of exercise of the Call Option.

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 25% but is less than 75%, the Disposal constitutes a major transaction 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.

Given that the Transactions are a series of transactions involving the acquisition or disposal of parts of one asset, these transactions will be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in relation to the Transactions exceed 25% but is less than 75%, the Transactions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

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## LETTER FROM THE BOARD

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

### SGM

The SGM will be convened and held at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 10 November 2016 at 10:30 a.m. to consider and, if thought fit, approve the Shareholders' Agreement, Agreement, the Transactions and the transactions contemplated thereunder. A notice convening the SGM is set out on pages 41 to 42 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding 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](http://www.hkexnews.hk) and the Company's website at [www.deson.com](http://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 Shareholders' Agreement and the Agreement are on normal commercial terms, in the ordinary and usual course of business and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors also consider that the Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommend all the Shareholders to vote in favour of the resolutions approving the Shareholders' Agreement, the Agreement and the Transactions and the transaction contemplated thereunder at the SGM.

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## LETTER FROM THE BOARD

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### 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**

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

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

**2. INDEBTEDNESS STATEMENT****Borrowings**

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

	<b>As at 31 August 2016 HK\$'000</b>
<b>Current</b>	
Bank loans – secured and unguaranteed	612,200
Bank overdrafts – secured and unguaranteed	34,907
Trust receipt loans – secured and unguaranteed	17,259
Other borrowings – unsecured and unguaranteed	<u>100,800</u>
	765,166
<b>Non-current</b>	
Bank loans – secured and unguaranteed	<u>409,584</u>
	<u><u>1,174,750</u></u>

The Group's banking facilities are secured by:

- (i) the pledge of the Group's certain leasehold land and buildings situated in Hong Kong;
- (ii) the pledge of the Group's certain investment properties situated in Mainland China;
- (iii) the pledge of the Group's certain properties held for sale (under development), and properties in Mainland China held for sale; and
- (iv) the pledge of the Group's deposits.

### **Convertible bonds**

The Group had outstanding convertible bonds with aggregate principal amount of HK\$30,900,000 with a maturity date of 17 April 2019. The carrying amount of the convertible bonds as at 31 August 2016 was approximately HK\$23,852,000.

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

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

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

### **3. WORKING CAPITAL SUFFICIENCY**

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

#### 4. FINANCIAL TRADING PROSPECTS

##### Property development and investment

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

On 16 February 2012, the Group successfully won a bid for the acquisition of land use right of a residential and commercial site in the city of Kaifeng. The Directors intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 100,000 sq. metres. Up to now, gross floor area of 20,000 sq. metres had completed construction. It included two commercial buildings with gross floor area of 15,000 sq. metres and an animation theatre with gross floor area of around 5,000 sq. metres. The total sales contract sum achieved from the sales of commercial properties amounted to approximately RMB23 million. The animation theatre was named as “Qing-Ming Riverside Anime Exhibition” and was used to show the animation of 清明上河圖 in 2010 Shanghai Expo. It was planned to become a tourist spot at Kaifeng City. It was expected that the construction of the whole project will be completed by 2018.

In September 2014, the Group was granted another land use right in city of Kaifeng, the PRC, named as Zhu Ji Lane (珠璣巷). The Directors intended to develop a commercial street project with a total gross floor area of approximately 13,000 sq. metres. It was put in use in the 27th World Hakka Conference which was held in October 2014. As of now, the project has completed. The total contract sum achieved from the sales of this area amounted to approximately RMB7 million. Most of the units have already been rented out during the year.

The first half of year 2015 was a tough period with the gradual slow growth of the PRC economy. The business performance of the Group for the year ended 31 March 2016 has gradually slowed down. In the first half of year 2015, the Central People’s Government continued its relaxation policies towards the property sector implemented since the second half of year 2014. Starting from the second quarter of year 2015, the property market has generally stabilised and signified a growth momentum. In order to resolve the basic issue of excessive supply over demand in many cities, the Central People’s Government and local governments pursued adjustment measures to address both supply and demand. Land supply and land usage were optimised. Smaller down payments for the purchase of second homes, as well as tax concessions, were also in place so as to stimulate end-users’ demands for upgrading. Coupled with the lowering of the interest rate and required reserve ratio which served to facilitate a stable economic development, the property industry stood to benefit as a whole.

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

#### **Construction business (including E&M works)**

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

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

During the year, new projects such as acting as the main contractor for the development of one residential house and associated external works including:

1. Construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong;
2. Fitting-out works (including E&M works) for three Prada/Miu Miu shops at Wynn Palace, Macau;
3. Fitting-out works (including E&M works) for three Prada/Miu Miu shops at City of Dreams, Macau;
4. Fitting-out works (including E&M works) at Purves Road, Hong Kong;
5. Fire services and MVAC installation of Multimedia Production And Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong;
6. Building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Kowloon;
7. Supply and installation of fire services for redevelopment of Methodist International Church Hong Kong at Queen's Road East, Hong Kong;

8. Building services installation (electrical, MVAC, fire services and plumbing) of a 36-classroom primary school in Area 36, Fanling, New Territories;
9. Addition and alteration works and fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Kowloon;
10. Addition and alteration works at East Point Centre, Causeway Bay, Hong Kong;
11. Fitting-out works of an office in Shenzhen, the PRC;
12. Fitting-out works, air-conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for a staff social center in Suning, Hebei, the PRC;
13. The fitting-out works for a hotel in Beijing, the PRC; and
14. Addition and alteration works of a hospital in Beijing, the PRC.

As at the date of this circular, the Group has contracts on hand with a total contract sum of over HK\$1,678 million.

With the Group's proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group can strengthen its position in the Hong Kong market and diversify its customer base, particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers.

The Group is currently operating in the developed cities in the PRC. Urbanisation of the PRC is expected to continue at a rapid pace, particularly the third and fourth-tier cities in the PRC. With the Group's long and established experience in the PRC market, the Directors believe that the Group can grasp such opportunities and selectively expand into the third and fourth-tier cities in the PRC leveraging on the Group's established expertise.

In order to provide comprehensive services to the Group's customers, the Group intends to expand our services under the building construction works from time to time and apply for additional licences, permits or qualifications required. For example, to increase the Group's scope of services for building construction works to include site formation, the Group was approved as a Specialist Contractor (site formation works category) by the Buildings Department of Hong Kong in December 2014. The Directors believe the Group's qualification in site formation will complement the Group's other services.

**Trading of medical equipment and home security and automation products**

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

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

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

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

**Investment in securities**

Regarding the New Business in investments in securities by DCIHL, DCIHL has set up a Treasury Management Committee ("**Treasury Management Committee**") to implement the investment policy and guidelines on behalf of DCIHL. The Treasury Management Committee comprises of one chairman and two committee members (which is comprised of two directors and the financial controller of DCIHL, of which at least one executive director of DCIHL acts as an investment manager).

The directors of DCIHL consider the development of the investment in securities business will enable DCIHL to diversify its business and broaden its revenue base, and is in the interest of the Company and its shareholders as whole. The Board will adopt cautious measure to manage this business activity aiming at generating additional investment return on available funds of the Group from time to time.

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the Target Property as at 31 August 2016.*



12/F, Effectual Building  
14-16 Hennessy Road  
Wanchai, Hong Kong

[www.peakval.com](http://www.peakval.com)

Tel (852) 2187 2238

Fax (852) 2187 2239

24 October 2016

The Board of Directors  
Deson Development International Holdings Limited  
11th Floor, Nanyang Plaza  
57 Hung To Road  
Kwun Tong  
Kowloon  
Hong Kong

Dear Sirs,

Re: Starway Parkview South Station Hotel, Nos. 218, 220 and 222 Baise Road, Retail on Level 1 and Parkview Club House, Nos. 206 and 208 Baise Road and Car Parking Space Nos. 3, 4, 22, 70, 78 and 79 of Basement Level 1 on Nos. 3 to 6, Lane 238, Baise Road, Xuhui District, Shanghai, the People's Republic of China

In accordance with the instructions from Deson Development International Holdings Limited (the "**Company**") for us to value the captioned property interest in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of the property interest as at 31 August 2016 (the "**Valuation Date**") for public documentation purpose.

This letter, forming part of our valuation report, identifies the property interest being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigation, which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which we would define to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interest, which was held for investment by the Company, we have adopted the Investment Approach by taking into account the current rents passing and the reversionary income potential of the tenancies or, where appropriate, the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property. No forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have been provided by the Company with copies of documents in relation to the title to the properties located in the PRC. We have not examined the original documents to verify ownership and to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Company and the legal opinions prepared in Shanghai Jiachuang Runhua Law Office, the Company’s legal adviser on the PRC law (the “**PRC Legal Adviser**”), regarding the title to the property.

The property were inspected during April 2016 by Mr. Tony M. W. Cheng, a manager of our firm who has over 10 years of experience in the inspection of properties in Hong Kong and the PRC. We have inspected the exterior and, where possible, the interior of the property. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties is free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the property but have assumed that the site and floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation certificate are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Company and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, site and floor areas and all other relevant materials regarding the property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the property interest, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, the property interest or the value reported herein.

Our Valuation Certificate is enclosed herewith.

Yours faithfully,

For and on behalf of

**Peak Vision Appraisals Limited**

**Nick C. L. Kung**

*MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer*

*Director*

*Note:* Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in Hong Kong and the PRC.

## Valuation Certificate

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2016
Starway Parkview South Station Hotel, Nos. 218, 220 and 222 Baise Road, Retail on Level 1 and Parkview Club House, Nos. 206 and 208 Baise Road and Car Parking Space Nos. 3, 4, 22, 70, 78 and 79 of Basement Level 1 on Nos. 3 to 6, Lane 238, Baise Road, Xuhui District, Shanghai, the PRC	<p>Parkview (the "Development") comprises an irregular-shaped site with a comprehensive residential/commercial development erected thereon completed in about 2004. It is located on the northern side of Baise Road at that section between Longwu Road and Longchuan North Road and at the immediate south of Shanghai Botanical Garden in the southern part of Xuhui District of Shanghai.</p> <p>The property comprises Starway Parkview South Station Hotel (located at Nos. 218, 220 and 222 Baise Road), retail spaces of Level 1 of the service apartment building and Parkview Club House occupied as a gym (located at Nos. 206 and 208 Baise Road) and Car Parking Space Nos. 3, 4, 22, 70, 78 and 79 (located at basement level 1 on Nos. 3 to 6, Lane 238, Baise Road) of the Development with a total gross floor area of approximately 7,577.69 sq.m. A detailed breakdown of the gross floor areas of the property are summarized as follows:</p>	As at the Valuation Date, the property was leased under various tenancies yielding a total monthly rental of approximately RMB139,178 with the latest term expiring on 21 June 2019.	RMB113,100,000
		<b>Approximate Gross Floor Area (sq.m.)</b>	
	<b>Starway Parkview South Station Hotel</b>		
	Hotel (Levels 1 to 3)	3,518.34	
	Guardhouse	10.86	
	Garbage Room	21.79	
	Transformer Room	83.00	
	Swimming Pool		
	Pump Room	104.88	
	Other	144.75	
	Basement	<u>1,301.73</u>	
	Sub-total:	5,185.35	

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2016
		<b>Approximate Gross Floor Area (sq.m.)</b>	
	<b>Retail and Parkview Club House</b>		
	Retail on Level 1	116.07	
	Basement	244.26	
	Club House (Levels 1 to 2)	<u>1,773.29</u>	
	Sub-total:	2,133.62	
	<b>Car Parking Spaces</b>		
	6 car parking spaces of basement level 1	<u>258.72</u>	
	Sub-total:	258.72	
	<b>Grand Total:</b>	<b><u><u>7,577.69</u></u></b>	

The land use rights of the property have been granted for a term from 18 February 1993 to 17 February 2063 for residential use.

*Notes:*

- i) Pursuant to the Shanghai Certificate of Real Estate Ownership Hu Fang Di Xu Zi (2004) No. 013023 dated 1 April 2004 issued by Shanghai Housing and Land Resources Administration Bureau, the ownership of some residential portion of the Development with a site area of approximately 35,235 sq.m. and gross floor area of approximately 16,946.19 sq.m. is vested in Huasheng International Real Estate Development (Shanghai) Co., Ltd for a term from 18 February 1993 to 17 February 2063 for residential use. Starway Parkview South Station Hotel, Retail and Parkview Club House of the property having a total gross floor area of approximately 7,318.97 sq.m. is partitioned from the said area.
- ii) Pursuant to the Shanghai Certificate of Real Estate Ownership Hu Fang Di Xu Zi (2009) No. 028619 dated 2 December 2009 issued by Shanghai Housing Security & Administration Bureau and Shanghai Planning, Land & Resources Administration Bureau, the ownership of basement carport portion of the Development with a site area of approximately 35,235 sq.m. and gross floor area of approximately 4,729.50 sq.m. is vested in Huasheng International Real Estate Development (Shanghai) Co., Ltd for a term from 18 February 1993 to 17 February 2063 for residential use. 6 car parking spaces of the property having a total gross floor area of approximately 258.72 sq.m. is partitioned from the said area.
- iii) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:
  - (a) *The land premium of the property have been fully settled and there is no record of outstanding taxes;*

- (b) *Huasheng International Real Estate Development (Shanghai) Co., Ltd holds the Shanghai Certificates of Real Estate Ownership and legally holds the state-owned land use rights and building ownership of the property;*
  - (c) *Huasheng International Real Estate Development (Shanghai) Co., Ltd possesses clear title to the property, which is not subject to ownership disputes, potential disputes or mortgage; and*
  - (d) *There is no legal obstacle for Huasheng International Real Estate Development (Shanghai) Co., Ltd to occupy, utilize, transfer, lease out or mortgage or otherwise deal with the aforementioned property.*
- iv) In our valuation, we have adopted an average market rent of approximately RMB105 per sq.m./month for Level 1 and approximately RMB75 per sq.m./month for the average of basement level, Level 2 and Level 3 of the property. The market value per car parking space is approximately RMB320,000. The reversionary yield of the property is about 6.0%.

In the course our valuation, we have made reference to commercial rental transaction comparables and car parking space sales transaction comparables in the vicinity. The market comparables are about RMB113 to RMB210 per sq.m./month for ground floor properties and about RMB350,000 to RMB500,000 for car parking space. The unit rates adopted by us are consistent with the said rental and sales transaction references after due adjustments. Due adjustments to those rental and sales transaction comparables have been made to reflect factors including but not limited to floor, layout, time, location and size in arriving at our opinion of values.

We have analyzed various recent letting rental and sales transactions in the locality, and noted that the yields implied by such data are generally within the range of 4.23% to 6.67% for commercial properties.

## 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) Directors' Interests and short positions in shares and underlying shares

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, to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Interests in Shares and underlying Shares

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

Notes:

(L) denotes long position.

1. The options were granted on 17 April 2015 with the consideration of HK\$1 under the Share Option Scheme adopted by the Company. The above options could be exercised from the date of grant to 16 April 2018 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in the Company at an initial exercise price of HK\$0.71 per share.
2. Sparta, a company incorporated in the BVI and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 349,935,000 ordinary shares of the Company.

(ii) *Long positions in ordinary shares of DCIHL*

Name of Director	Name of shares held, capacity and nature of interest			Percentage of the DCIHL's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*	22,887,200	538,414,868 <sup>#</sup>	561,302,068	56.13%
Mr. Lu Quanzhang	50,000		50,000	0.01%
Ir Siu Man Po	150,000		150,000	0.02%

(iii) *Long positions in ordinary shares of Sparta*

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

*Notes:*

\* Sparta, a company incorporated in BVI and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 349,935,000 ordinary shares of the Company.

<sup>#</sup> Mr. Tjia Boen Sien beneficially owns all the shares in Sparta, a company incorporated in the BVI. Sparta directly beneficially owned 26,645,000 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 Boen Sien is deemed to be interested in 538,414,868 shares in DCIHL (being aggregate of 26,645,000 shares in DCIHL held by Sparta and 511,769,868 shares in DCIHL indirectly owned by the Company which Sparta is deemed to be interested in).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be notified to

the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (b) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

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

**Long position:**

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

*Notes:*

1. Sparta, a company incorporated in BVI and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 349,935,000 ordinary 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 ordinary shares of the Company.

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

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

### **3. DIRECTORS' SERVICE CONTRACTS**

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

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

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

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

### **5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES**

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

### **6. LITIGATION**

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

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

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

<b>Name</b>	<b>Qualification</b>
Peak Vision Appraisals Limited	An independent professional property valuer

As at the Latest Practicable Date, the expert:

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

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

**8. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

- (a) the agreement for sale and purchase dated 12 November 2014 and the deed of assignment dated 21 November 2014 entered into between Deson Development Limited and Grand On Enterprise Limited relating to the transfer of all the legal and beneficial title in the property located at 11th Floor, Nanyang Plaza, No. 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong in consideration of HK\$131.4 million;
- (b) the share transfer agreement dated 16 December 2014 entered into between Deson Development Holdings Limited, HEHL and DCIHL relating to the sale and transfer of 1,000 ordinary shares in Latest Ventures Limited in consideration of HK\$17,499,999.90;
- (c) the share transfer agreement dated 16 December 2014 entered into between Deson Development Holdings Limited and Latest Ventures Limited relating to the transfer of one ordinary share in Deson Industries Limited in consideration of HK\$7.80;

- (d) the share transfer agreement dated 16 December 2014 entered into between Deson Development Holdings Limited and Colton Ventures Limited relating to the transfer of 20,000,100 Class A voting shares in Deson Development Limited (including 1 Class A voting share held on trust by Mr. Tjia Boen Sien for Deson Development Holdings Limited was transferred to Latest Ventures Limited and held on trust for Colton Ventures Limited) and 20,000,000 Class B non-voting deferred shares in Deson Development Limited in consideration of HK\$40,000,100;
- (e) the administrative services agreement dated 16 December 2014 entered into between Grand On Enterprise Limited and Deson Development Limited relating to the provision of certain administrative support services including provision of office facilities, utilities and equipment support, cleaning services, administrative support and information system and technical training support services;
- (f) the tenancy agreement dated 21 November 2014 entered into between Deson Development Limited and Grand On Enterprise Limited in relation to rental of certain portions of the property located at 11th Floor, Nanyang Plaza, No. 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong;
- (g) the tenancy agreement dated 10 December 2014 entered into between 上海迪申建築裝潢有限公司 (Shanghai Deson Decoration Engineering Co., Ltd.) and Huasheng regarding for the rental of certain portions of 上海市徐匯區百色路206號天然居會所2樓 (No. 206, Level 2, Club House of Parkview, Baise Road, Xuhui Area, Shanghai, the PRC);
- (h) the non-competition agreement dated 16 December 2014, executed by the Company in favour of DCIHL (for itself and as trustee for each of its subsidiaries), pursuant to which the Company has given certain non-competition undertakings;
- (i) the deed of indemnity dated 16 December 2014, executed by the Company in favour of DCIHL (for itself and as trustee for each of its subsidiaries) containing indemnities in respect of certain tax liabilities and claims which may arise;
- (j) the underwriting agreement dated 23 December 2014 entered into between DCIHL, Mr. Keung Kwok Cheung, Mr. Kwok Koon Keung and Mr. Lo Wing Ling (being the executive directors of DCIHL), the Company, Deson Development Holdings Limited, Sparta, Mr. Tjia Boen Sien, Kingsway Capital Limited and Kingsway Financial Services Group Limited relating to the placing of 50,000,000 shares in DCIHL by Kingsway Financial Services Group Limited to professional, institutional and other investors;
- (k) the placing agreement dated 21 January 2015, entered into between the Company and CNI Securities Group Limited, relating to the placing of 100,000,000 Shares at the placing price of HK\$0.72 per placing Shares, which was completed on 2 February 2015;

- (l) the memorandum of understanding dated 6 May 2015 entered into between DCIHL and 江蘇樂生活電子商務有限公司 (Jiangsu Joy Life E-Commerce Co., Ltd.\*) in respect of the proposed cooperation relating to the provision of all construction related services including but not limited to construction, fitting-out and maintenance services to all new online to offline platform service centers to be constructed to be provided by the DCIHL group in the PRC (including Hong Kong);
- (m) the underwriting agreement dated 27 November 2015 entered into between the Company and Koala Securities Limited, the underwriter, in relation to the underwriting arrangement in respect of the issue of not less than 325,960,133 offer Shares and not more than 330,670,133 offer Shares by the Company pursuant to the open offer on the basis of one offer Share for every two existing Shares to the qualifying shareholders at the offer price of HK\$0.32 per offer Share, which was completed on 8 January 2016;
- (n) the placing agreement dated 29 March 2016 entered into between DCIHL and Koala Securities Limited in relation to the placing of the unsecured, three-year maturity 2% coupon convertible bonds with a principal amount of HK\$30,900,000 issued by DCIHL, which was completed on 18 April 2016;
- (o) the Memorandum of Understanding;
- (p) the Shareholders' Agreement;
- (q) the Agreement; and
- (r) Shareholder Loan Agreement.

## 9. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Lam Wing Wai, Angus, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- (b) The head office and the principal place of business of the Company in Hong Kong are at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (c) The principal share registrars and transfer office of the Company in Bermuda are Estera Management (Bermuda) Limited at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The branch share registrars and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

\* For identification purpose only

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturday, Sunday and public holidays excluded) 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 “Material contracts” in this appendix;
- (c) the published audited consolidated financial statements of the Company for each of the two financial years ended 31 March 2016;
- (d) the valuations report of Peak Vision Appraisals Limited, the text of which is set out in Appendix II to this circular;
- (e) the letter of consent referred to in paragraph headed “Qualification and consent of expert and expert’s interests” in this Appendix;
- (f) the Shareholders’ Agreement, the Agreement and the Shareholder Loan Agreement; and
- (g) this circular.

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## NOTICE OF SGM

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### DESON DEVELOPMENT INTERNATIONAL HOLDINGS LIMITED

迪臣發展國際集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 262)**

#### 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 Thursday, 10 November 2016 at 10:30 a.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolutions of the Company:

#### ORDINARY RESOLUTION

“**THAT** (1) the formation of a joint venture company known as New Leaves Limited, (“New Leaves”) with Hoverjet Limited (“Hoverjet”) pursuant to the shareholders agreement dated 30 September 2016 between Deson Ventures Limited (“DVL”), a wholly-owned subsidiary of the Company, Hoverjet and New Leaves (the “Shareholders’ 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) pursuant to which DVL has acquired 30% interest in the Joint Venture and has granted interest-free shareholder’s loan and all transactions contemplated under the Shareholders’ Agreement; (2) the grant by DVL of the call option in accordance with the terms of the Shareholders’ Agreement to Hoverjet to require DVL to sell all the remaining shares held by DVL in New Leaves (the “Call Option”); and (3) the disposal by DVL of the entire issued share capital of Yew Siang Limited (the “Disposal”) at a consideration of US\$ equivalent of approximately RMB82.1 million (equivalent to approximately HK\$98.5 million (subject to adjustments, if any) to New Leaves pursuant to the sale and purchase agreement dated 30 September 2016 between DVL, the Company and New Leaves (the “Disposal Agreement”, a copy of which has been produced to the meeting and marked “B” and signed by the chairman of the meeting for identification purposes) and all transactions contemplated under the Disposal Agreement be and are hereby approved and ratified; and the directors of the Company be and are hereby authorised to do all such acts and/or things and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the Shareholders’ Agreement and the Disposal Agreement as they may in their absolute discretion consider necessary, desirable or expedient to give effect to the formation of the joint venture, the grant of the Call Option, the Disposal, the Shareholders’ Agreement and the Disposal Agreement and the implementation of all

\* For identification purpose only

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## NOTICE OF SGM

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transactions contemplated thereby and thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

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

Hong Kong, 24 October 2016

*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](http://www.deson.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify shareholders of the Company of the date, time and place of the rescheduled the Meeting.