THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Deson Development International Holdings Limited

迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF PROPERTIES IN HAINAN VIA THE DISPOSAL OF COMPANIES AND (2) NOTICE OF SPECIAL GENERAL MEETING

A letter from the Board is set out on pages 5 to 19 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, 21 September 2023 at 11:30 a.m. or any adjourned meeting thereof is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use by the Shareholders of the Company at the SGM is enclosed herein.

Whether or not you are able or intend to attend the SGM, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, 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*

31 August 2023

CONTENTS

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

"Asian Villas"	the development project known as 亞洲豪苑城市廣場 (Asian Villas City Square*) located at Haikou City, Hainan Province, the PRC
"associate" or "close associates"	has the same meaning as ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	any day(s) (other than Saturday(s), Sunday(s) or public holiday(s) in Hong Kong) on which licensed banks in Hong Kong are open generally for normal banking business
"BVI"	the British Virgin Islands
"Company"	Deson Development International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 262)
"Completion"	the completion of the Proposed Disposal
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"Directors"	directors of the Company
"Earnest Money"	the sum of RMB10.0 million (equivalent to approximately HK$11.0 million), being the earnest money of the Proposed Disposal, paid to the Purchaser to the Vendors pursuant to the Letter of Intent
"Equity Transfer Agreement"	the equity transfer agreement dated 7 August 2023 entered into among the Vendors and the Purchaser in relation to the Proposed Disposal
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

"Independent Third Party(ies)"	any person(s) or company(ies) 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
"Latest Practicable Date"	25 August 2023, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained herein
"Letter of Intent"	the letter of intent dated 20 October 2022 entered into between the Purchaser, the Vendors, Target Company 1 and Target Company 2
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this circular and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Proposed Disposal"	collectively, the Proposed Disposal 1 and Proposed Disposal 2
"Proposed Disposal 1"	the proposed disposal of the entire equity interest in Target Company 1 by Vendor 1 to the Purchaser as contemplated under the Equity Transfer Agreement
"Proposed Disposal 2"	the proposed disposal of the entire equity interest in Target Company 2 by Vendor 2 to the Purchaser as contemplated under the Equity Transfer Agreement
"Purchaser"	海口市龍華區城市投資控股有限公司 (Haikou Longhua City Investment Holding Co., Ltd.*), a limited liability company established in the PRC which is wholly-owned by 海口市龍華區招商引資和項目開發服務中心 (Haikou Longhua City Investment Promotion and Project Development Service Centre*), which is ultimately owned by the government of Longhua District of Haikou, an Independent Third Party
"Remaining Group"	the Group excluding the Target Company 1 and Target Property 2 on the assumption that Completion had taken place
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Shareholders to be held by the Company at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 21 September 2023 at 11:30 a.m. or any adjourned meeting the details of which are set out on pages SGM-1 to SGM-3 of this circular
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"sq. metres"	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it in the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by SFC as amended from time to time
"Target Companies"	collectively, Target Company 1 and Target Company 2
"Target Company 1"	江裕置業(海南)有限公司 (Honour Advance Real Estate (Hainan) Limited*), a company established in the PRC and is wholly-owned by Vendor 1, which is the registered holder of Target Property 1
"Target Company 2"	海南富迪商業管理有限公司 (Hainan Fruitful Business Management Ltd*), a company established in the PRC and is wholly-owned by Vendor 2, which is the registered holder of Target Property 2
"Target Properties"	collectively, Target Property 1 and Target Property 2

"Target Property 1"	the property comprising three buildings consisting of 31 units of shops in Haikou City, Hainan Province, which is located at phase one to phase three of the shopping mall in Asian Villas, with a total gross floor area of approximately 7,693.48 square metres (as referred to in Note vi of pages IV-12 to IV-13 in Appendix IV to this circular) being identified as part of the property numbered 2 in Appendix IV comprising retail unit nos. 1 to 8 of block 3, retail unit nos. 9 to 25 of block 2 and retail unit nos. 27 to 32 of block 1 of Zhongyang Jie of Asian Villas, No. 1 Haoyuan Road, Nanhai Avenue, Longhua District, Haikou City, Hainan Province, the PRC
"Target Property 2"	collectively, (i) phase one of the shopping mall in Asian Villas, being identified as the property numbered 1 in Appendix IV measuring approximately 29,326.01 square metres (as referred to in Note v of page IV-6 in Appendix IV to this circular); and (ii) two units of shops nos. 33 and 34 of phase three of the shopping mall at Asian Villas, being identified as part of the property numbered 2 in Appendix IV comprising retail unit nos 33 to 34 of block 1 of Zhongyang Jie of Asian Villas, No. 1 Haoyuan Road, Nanhai Avenue, Longhua District, Haikou City, Hainan Province, the PRC measuring approximately 363.95 square metres (as referred to in Note v of page IV-11 in Appendix IV to this circular), with a total gross floor area of approximately 29,689.96 square metres. Target Property 2 has been held by Target Company 2 for the benefit of the Group since 2002 pursuant to a contractual arrangement
"Vendor 1"	Honour Advance Limited (江裕有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"Vendor 2"	Fanning Properties Limited (富海地產投資有限公司), a company incorporated in the British Virgin Islands and is wholly-owned by Wong Ching Chik (王征績), an Independent Third Party. As at the Latest Practicable Date, Vendor 2 owns the entire equity interest in Target Company 2, which holds Target Property 2 for the benefit of the Group through a contractual arrangement
"Vendors"	collectively, Vendor 1 and Vendor 2
"%"	per cent

* *For identification purpose only. English names of the PRC established companies in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*

For the purpose of this circular, RMB has been converted into HK$ at the rate of RMB0.909 to HK$1.00 for illustrative purpose only. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

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. Tjia Boen Sien
(Managing Director & Chairman)
Mr. Wang Jing Ning
Mr. Tjia Wai Yip, William
Ms. Tse Hoi Ying

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

Registered office:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

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

31 August 2023

To the Shareholders

Dear Sirs,

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSALS OF PROPERTIES IN HAINAN VIA THE DISPOSAL OF COMPANIES AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 7 August 2023, pursuant to which the Board announces that on 7 August 2023 (after trading hours), the Vendors, the Purchaser and the Target Companies entered into the Equity Transfer Agreement pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interests in the Target Companies, for a total consideration of RMB385.0 million (equivalent to approximately HK$423.5 million), which constitutes a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules.

* *For identification purposes only*

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

The purpose of this circular is to provide you with, among other things, (i) further details of the Proposed Disposal; (ii) the financial information of the Group; (iii) the financial information of the Target Company 1 and Target Property 2; (iv) the unaudited pro forma financial information of the Remaining Group; (v) the valuation report of the Target Properties; and (vi) the notice of SGM together with the proxy form and other information as required under the Listing Rules.

THE PROPOSED DISPOSAL

On 7 August 2023 (after trading hours), the Vendors, the Purchaser and the Target Companies entered into the Equity Transfer Agreement, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interests in the Target Companies, for a total consideration of RMB385.0 million (equivalent to approximately HK$423.5 million).

Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are set out below:

Date : 7 August 2023

Parties : (i) Vendor 1, being an indirect wholly-owned subsidiary of the Company;

(ii) Vendor 2, an Independent Third Party;

(iii) the Purchaser;

(iv) Target Company 1; and

(v) Target Company 2.

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

Assets to be disposed

Pursuant to the Equity Transfer Agreement, (i) Vendor 1 conditionally agreed to sell the entire equity interest in Target Company 1; (ii) Vendor 2 conditionally agreed to sell the entire equity interest in Target Company 2, and (iii) the Purchaser has conditionally agreed to purchase the entire equity interests in the Target Companies, free from any encumbrances. As at the Latest Practicable Date, save for Target Property 1, Target Company 1 did not own any other assets and save for Target Property 2, Target Company 2 did not own any other assets.

The Target Properties comprising Target Property 1 and Target Property 2 are commercial properties located in Asian Villas, with a total gross floor area of approximately 37,383.44 square metres. Target Company 1 is a company established in the PRC, which is holding Target Property 1, comprising three buildings consisting of 31 units of shops in Haikou City, Hainan Province, which is located at phase one to phase three of the shopping mall in Asian Villas with a total gross floor area of approximately 7,693.48 square metres. Target Company 2 is a company established in the PRC, which is holding Target Property 2, comprising (i) phase one of the shopping mall in Asian Villas; and (ii) two units of shops nos. 33 and 34 of phase three of the shopping mall in Asian Villas, with a total gross floor area of approximately 29,689.96 square metres. Target Property 2 has been held by Target Company 2 for the benefit of the Group since 2002 pursuant to a contractual arrangement. According to such contractual arrangement, the Group has all rights, entitlements, distributions, gains, profits and other benefits generated by Target Property 2 only and is entitled to the consideration in respect of the Proposed Disposal 2 which the Purchaser will pay to Vendor 2 but the Group has no interest in Target Company 2. Therefore, the Group is in effect selling Target Company 1 and Target Property 2 pursuant to the Proposed Disposal, and hence the financial information for Target Company 1 and Target Property 2 is being prepared and included in Appendix II to this circular. Upon Completion, the Group will cease to have any interests in Target Company 1 and the Target Properties.

Given that Target Property 2 is held for the benefit of the Group pursuant to a contractual arrangement, the Group is entitled to the consideration in respect of the Proposed Disposal 2. In this regards, the bank account of Vendor 2 is operated and controlled by the Group. Hence, the Group will be entitled to the whole of the total consideration of the Proposed Disposal.

Consideration

The total consideration for the Proposed Disposal is RMB385.0 million (equivalent to approximately HK$423.5 million), which will be settled by the Purchaser as follows:

(i) the earnest money of RMB10.0 million (equivalent to approximately HK$11.0 million) ("**Earnest Money**") has been paid by the Purchaser to the Vendors on 20 October 2022, which was within 30 days of the date of the Letter of Intent, and the Vendors agreed to allow the Purchaser to carry out renovation at the Target Properties at the Purchaser's own costs and expenses. The Earnest Money was applied towards the total consideration for the Proposed Disposal upon execution of the Equity Transfer Agreement;

(ii) RMB100.0 million (including the Earnest Money paid on 20 October 2022) (equivalent to approximately HK$110.0 million) in cash to be paid to the Vendors within 15 days before the commencement of works on the transfer of equity interest in accordance with the Equity Transfer Agreement ("**1st Instalment**");

(iii) RMB120.0 million (equivalent to approximately HK$132.0 million) in cash to be paid to the Vendors before 31 October 2024 ("**2nd Instalment**");

(iv) RMB110.0 million (equivalent to approximately HK$121.0 million) in cash to be paid to the Vendors before 31 October 2025 ("**3rd Instalment**");

(v) RMB50.0 million (equivalent to approximately HK$55.0 million) in cash to be paid to the Vendors before 31 October 2026 ("**4th Instalment**"); and

(vi) the remaining balance of the total consideration, being RMB5.0 million (equivalent to approximately HK$5.5 million) to be paid to the Vendors before 31 October 2027 ("**Final Instalment**").

Upon receiving the Earnest Money after entering into the Letter of Intent, the Vendors agreed to allow the Purchaser to carry out renovation at the Target Properties at the Purchaser's own costs and expenses. Given that (i) the renovation costs are solely borne by the Purchaser; (ii) the renovation will improve the value of the Target Properties if the Proposed Disposal fails to proceed in the unlikely event, the Group will be entitled to the benefits of such renovation works and is not disadvantaged from such arrangement; (iii) the Directors are of the view that having incurred high renovation costs, the Purchaser is committed to enter into formal definitive agreement for, and to complete the Proposed Disposal; and (iv) the low occupancy of the Target Properties prior to the entering into of the Letter of Intent resulting in low rental income from the Target Properties, the Directors (including the independent non-executive Directors) considered that it is fair and reasonable to allow the Purchaser to carry out renovation after the entering into of the Letter of Intent.

As at the Latest Practicable Date, 70% of the 1st Instalment had been paid by the Purchaser to the Vendors and the remaining balance of the 1st Instalment is expected to be paid upon completion of the registration of the change of ownership at the State Administration for Industry and Commerce.

Due to large capital investment by the Purchaser to develop Target Property 1 and Target Property 2 after completion of the Proposed Disposal, the Purchaser, being a governmental entity, requires sufficient time to undergo internal procedures. As such, the Purchaser has sought for, and the Vendors have agreed to a prolonged period of payment of the remaining balance of the consideration, being the 2nd Instalment to the Final Instalment.

Having considered (i) the background of the Purchaser and its shareholder, which are ultimately owned by the government of Longhua District of Haikou and the Purchaser has registered capital of RMB300 million of which RMB100 million has been paid up as at the Latest Practicable Date; (ii) the deferred payments are secured by the pledge in favour of the Vendors and the gradual release of the equity interest of the Target Companies. If the Purchaser defaults in payment, the Vendors are entitled to enforce the pledge of equity interest for foreclosure of such equity interest for the proceeds of sale; (iii) the total consideration for the Target Company 1 and Target Property 2 represents a surplus over the net book value of the Target Properties as at 31 March 2023 and the market value according to valuation as at 31 March 2023 and 31 July 2023 taking into account the current PRC property market condition; (iv) the payment schedule in the Equity Transfer Agreement was accelerated which shortened the 1st Instalment due date by 3 months and the Final

Instalment due date by 14 months as compared to the earlier agreed timeframe in the Letter of Intent which specified the last payment date to be 31 December 2028; (v) the planned redevelopment of the Target Properties by the Purchaser together with a member of Zhongguancun Development Group into Haikou Zhongguancun Information Valley Innovation Center Project (海口中關村信息谷創新中心項目) ("**Haikou Zhongguancun Center**"), which is jointly backed by Haikou government and Zhongguancun Development Group (an Independent Third Party, which has the registered capital of RMB16.9 billion, is a state-owned enterprise ultimately owned by the Beijing Municipal Government via a company with a registered and paid-up capital of RMB50 billion). It is a science and technology park redevelopment project that introduces scientific and technological innovation resources to provide a science and technology ecosystem in line with Haikou's industrial characteristics to cultivate an environment for emerging, science and technology innovative enterprises (i.e. unicorn companies) that focus on high-tech, technology finance and internet industries. The Purchaser has since the execution of the Letter of Intent, committed large capital expenses to carry out renovation at its own costs and expenses to implement such development. According to public information, during the renovation period and up to late July 2023, 144 enterprises with an aggregate registered capital of over RMB100 million have signed up to the Haikou Zhongguancun Center, representing over 20% of the area of the Haikou Zhongguancun Center, while another over 100 enterprises have expressed their interests; (vi) the success of the Beijing Zhongguancun (a major technology hub in Beijing, commonly known as "China's Silicon Valley") in the past which provides a reference for Haikou Zhongguancun Center; and (vii) the potential consequential effect of the redevelopment of the Target Properties that may lead to increase in demand for neighbouring residential properties such as those unsold residential units in Asian Villas held for sale by the Group as elaborated in the paragraph headed "**Reasons for and benefits of the Proposed Disposal**" in this letter, the Board is of the view that (a) the deferred payment arrangement is fair and reasonable and in the interest of the Shareholders as a whole; and (b) the Purchaser has the capability to honour the payment obligations under the Proposed Disposal.

The consideration for the Proposed Disposal was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the valuation of the Target Properties as at 31 March 2023, which was subsequently updated to a valuation date of 31 July 2023 prior to the entering into of the Equity Transfer Agreement to comply with Rule 5.07 of the Listing Rules. Accordingly, the valuation report with a valuation date of 31 July 2023 is the final valuation report for the purpose of valuation of the Proposal Disposal. The full text of the property valuation report with a valuation date of 31 July 2023 was set out in Appendix IV to this circular.

The valuation of Target Properties was arrived at with the adoption of market approach performed by an independent valuer, Peak Vision Appraisals Limited ("**Independent Valuer**"), based on the direct comparison method. The direct comparison method is based on prices realised in actual transactions and/or asking prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. According to the valuation, the fair values of the Target Property 1 and Target Property 2 as at 31 March 2023 were approximately

RMB99.7 million and RMB267.7 million (equivalent to approximately HK$109.7 million and HK$294.5 million), respectively; and the fair values of the Target Property 1 and Target Property 2 as at 31 July 2023 were approximately RMB100.2 million and RMB 268.0 million (equivalent to approximately HK$110.3 million and HK$294.8 million), respectively.

The audited net book value of the Target Properties as at 31 March 2023 was approximately HK$339.5 million and the valuation surplus for the Target Properties (based on valuation as at 31 March 2023) was approximately HK$76.2 million and taking into account the exchange realignment of HK$11.6 million, bringing the fair values of the Target Properties as at 31 March 2023 to approximately HK$404.1 million (equivalent to approximately RMB367.4 million). The assumptions and method of valuation applied in the property valuation as at 31 March 2023 are the same as those set out in the property valuation report in Appendix IV to this circular.

For information only, the valuation surplus for the Target Properties as at 31 July 2023 (based on the property valuation report as at 31 July 2023 available to the Board prior to the entering into of the Equity Transfer Agreement as set out in Appendix IV) was approximately HK$77.2 million, which represented an increase of approximately 1.3% or HK$1.0 million compared to the valuation surplus as at 31 March 2023, and hence, is not materially different from the valuation of the Target Properties as at 31 March 2023. Given that the total consideration is higher than both the valuation as at 31 March 2023 and 31 July 2023, the update of the property valuation report to a valuation date of 31 July 2023 does not have any impact on the total consideration.

The management of the Company has also considered other factors: (i) the recent adverse property market conditions and sentiment in the PRC real estate market, which has hampered the demand of potential customers of the properties held for sale of the Group in the PRC, and rendered it increasingly difficult for the Group to carry out any financing activities, or locate buyers for its properties held for sale; and (ii) the poor revenue generating capability and prospect of the Group's properties held for sale, mainly in Kaifeng, the PRC, taking into account the continuous loss-making performance of the Group as well as the low occupancy rate of the Target Properties in recent years. Further, in consideration of the pressing liquidity needs of the Group to repay its outstanding indebtedness and the continuous loss-making performance, significant expenses and finance costs of the Group and the risk of greater potential further loss from the Target Properties, and in view of the expected net gain on the Proposed Disposal, details of which are set out in the section headed "**Financial effects of the Proposed Disposal**" below, and having reviewed the property valuation reports of various valuation dates (being 31 March 2023 and 31 July 2023) and discussed with the Independent Valuer on the valuation approach and assumptions adopted, including the selection criteria of the Target Properties and comparables as well as the special assumption that the occupancy and condition of the Target Properties as at the valuation date and as of 20 October 2022 are identical ("**Special Assumption**") given that the Purchaser has carried out renovation at its own costs and expenses and the Group did not have information and access to the details of the renovation, including renovation plan, estimated total renovation costs and expenses incurred and is not in the position to consider and is not entitled to the capital value of the renovation, the Directors understand that the valuation approach and assumptions adopted are commonly acceptable and adopted and in line with market practice for conducting valuation of properties of the same nature. The Directors also confirmed that as from 22 October 2022 up to the Latest Practicable Date, save for the renovation carried out by the Purchaser, there were no material changes to the Target Properties that will cause the value of the Target Properties to deteriorate. Based on the above, the Directors (including the independent non-executive Directors) concur with the Independent Valuer and are of the view that (i)(a) the valuation approach and assumptions adopted (including the Special Assumption) and the valuation conducted are fair and reasonable, and (b) the valuation report in Appendix IV complies with Rule 5.06(1) (i) of the Listing Rules; and (ii) consider the terms of the Proposed Disposal (including but not limited to the consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Completion

Pursuant to the Equity Transfer Agreement:

(i) within 30 days upon signing of the Equity Transfer Agreement, the Vendors shall transfer 30% of the equity interests in the Target Companies to the Purchaser and complete the registration for the change of ownership at the State Administration for Industry and Commerce. The Vendors will also, among others, deliver possession of the sites of the Target Properties to the Purchaser, upon receipt of full payment of the 1st Instalment;

(ii) within 45 days (or such later date to be agreed in writing by the Vendors and the Purchaser) after payment of the 1st Instalment, the Vendors shall transfer the remaining 70% of the equity interests in the Target Companies to the Purchaser. At the same time, the Purchaser shall pledge 74% of the equity interest in the Target Companies to the Vendors to secure the payment of the remaining unpaid consideration. A pledge agreement will be entered into by the Purchaser and the Vendors to effect the pledge of equity interest. The parties shall complete the registration for the change of ownership and the pledge of equity interest at the State Administration for Industry and Commerce simultaneously; and

(iii) each time after payment by the Purchaser of the relevant instalment, the Vendors shall release the pledge of equity interest proportionately such that:

   (a) upon payment of the 2nd Instalment by the Purchaser, the Vendors shall release the pledge of equity interest so that only the pledge of 43% of the equity interest in the Target Companies remains;

   (b) upon payment of the 3rd Instalment by the Purchaser, the Vendors shall release the pledge of equity interest so that only the pledge of 14% of the equity interest in the Target Companies remains;

(c) upon payment of the 4^{th} Instalment by the Purchaser, the Vendors shall release the pledge of equity interest so that only the pledge of 4% of the equity interest in the Target Companies remains; and

(d) upon payment of the Final Instalment by the Purchaser, the Vendors shall release the pledge of equity interest entirely.

During the period when the pledge of equity interest remains valid, any guarantee, financing or disposal of assets by the Target Companies shall be subject to the prior written consent of the Vendors, and any funding obtained shall be first applied towards the payment of the unpaid consideration due and payable to the Vendors, failing which it shall be a breach by the Purchaser and all unpaid consideration shall be due and payable by the Purchaser to the Vendors immediately.

Upon Completion, the Group will cease to have any interests in Target Company 1 and the Target Properties. As such, the financial results of Target Company 1 and/or the Target Properties will no longer be consolidated into the financial statements of the Group.

CONDITION PRECEDENT TO THE PROPOSED DISPOSAL

Completion of the Proposed Disposal is subject to the satisfaction of the passing of resolution by the Shareholders to approve the Proposed Disposal and the transaction contemplated under the Equity Transfer Agreement at the SGM in accordance with the requirements of the Listing Rules.

INFORMATION ON THE TARGET COMPANIES

Target Company 1 is a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company. Target Company 1 is principally engaged in property investment and owns Target Property 1. Target Property 1, comprising three buildings consisting of 31 units of shops in Haikou City, Hainan Province, which is located at phase one to phase three of the shopping mall at Asian Villas with a total gross floor area of approximately 7,693.48 square metres. As at the Latest Practicable Date, a portion of Target Property 1 is leased to Independent Third Parties as cinema. As Target Property 1 is classified as property held for sale, rental income of Target Property 1 is recognised by Target Company 1 as other income of the Group. The lease of Target Property 1 will end in December 2023.

Target Company 2 is a company established in the PRC with limited liability, and is wholly-owned by Vendor 2. Target Company 2 is principally engaged in property investment and owns Target Property 2. Target Property 2, comprising (i) phase one of the shopping mall at Asian Villas; and (ii) two units of shops nos. 33 and 34 of phase three of the shopping mall at Asian Villas, with a total gross floor area of approximately 29,689.96 square metres. Target Property 2 has been held by Target Company 2 for the benefit of the Group since 2002 pursuant to a contractual arrangement. According to such contractual arrangement, the Group has all rights, entitlements, distributions, gains, profits and other benefits generated by Target Property 2, as such the Group has been consolidating Target Property 2 and its net profits into the Group's results of operations and assets and liabilities as if Target Property 2 was owned by the Group. As at the Latest Practicable Date, Target Property 2 is vacant. As Target Property 2 is classified as investment property of the Group, rental income of Target Property 2 is recognised as revenue of the Group. Prior to expiration of the leases before the entering into of the Letter of Intent by the Group in October 2022, Target Property 2 was leased out to tenants which were mainly involved in the trading of building materials as Target Property 2 was operated under the theme of "Building Materials Mall (建材城)." The leases of Target Property 2 ended in November 2022 and were not renewed after the Group entered into the Letter of Intent in relation to the Proposed Disposal.

Set out below are the unaudited (loss)/profit before and after taxation and the unaudited net asset value of Target Company 1 for the two financial years ended 31 March 2023 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 March	
	2022	**2023**
	HK$'000	*HK$'000*
Revenue	—	—
(Loss)/profit before taxation	(268)	404
(Loss)/profit after taxation	(261)	387
Net asset value	40,122	38,071

Set out below are the unaudited profit before and after taxation and the unaudited net book value of the Target Property 2 for two financial years ended 31 March 2023:

	As at/Year ended 31 March	
	2022	**2023**
	HK$'000	*HK$'000*
Revenue	2,485	363
Profit before taxation	5,536	19,023
Profit after taxation	3,146	13,893
Net book value (net of deferred tax liabilities related to Target Property 2)	249,756	243,142

FINANCIAL EFFECT OF THE PROPOSED DISPOSAL

Based on the total consideration for the Proposed Disposal of RMB385 million (equivalent to approximately HK$423.5 million) and after deducting the net asset position of management accounts of Target Company 1 and the net book value of Target Property 2 as at 31 March 2023 of approximately HK$281.2 million, the discount effect due to deferred payment of the total consideration of approximately HK$33.2 million, the estimated enterprise income tax of approximately HK$33.6 million, transaction cost (including professional fees, finder's fee, administrative fees and stamp duty) of approximately

HK$39.5 million and the effect on release of exchange reserve of approximately HK$18.6 million, it is expected that the Group will recognise an estimated net gain of approximately HK$17.4 million from the Proposed Disposal.

Shareholders and investors should note that the exact amount of the gain from the Proposed Disposal to be recorded by the Group in the consolidated statement of profit or loss of the Group for the year ending 31 March 2024 is subject to audit and will take into account any costs and expenses incurred relating to the Proposed Disposal, and accordingly it may be different from the amount stated above.

VALUATION OF THE TARGET PROPERTIES AND RECONCILIATION

The Independent Valuer valued the Target Properties as at 31 July 2023. The full text of the property valuation report is set out in Appendix IV to this circular.

The reconciliation between the net book values of the Target Properties as at 31 March 2023 and the valuation of the same as at 31 July 2023 is set out below:

	HK$'000
Net book values of the Target Properties as at 31 March 2023	339,450
Valuation surplus	77,171
Exchange realignment	(11,601)
Valuation of the Target Properties as at 31 July 2023 (RMB368,200,000)	405,020

USE OF PROCEEDS

The net proceeds from the Proposed Disposal after deducting expenses relating to the Proposed Disposal (including the professional fees, finder's fees, administrative fees and related taxes) will amount to approximately HK$350.4 million. The Group intends to apply the net proceeds for the following purposes:

1. approximately 76.6% or approximately HK$268.5 million to be applied towards repayment of existing borrowings of the Group, which are expected to be fully utilised by 15 June 2026 as follows:

   (a) a sum of HK$31.4 million to be repaid to a lender for a short-term loan with a fixed interest rate of 5.66% per annum that will mature on or before 9 November 2023;

   (b) a sum of HK$3.3 million to be repaid to a lender for a short-term loan with a fixed interest rate of 6.0% per annum that will mature on or before 15 December 2023;

(c) a sum of HK$49.0 million to be repaid to a lender for a short-term loan with a fixed interest rate of 7.20% per annum that will mature on or before end of December 2023;

(d) a sum of HK$22.0 million to be repaid to a lender (who is a connected person) for a short-term loan with a fixed interest rate of 8.84% per annum that will mature on or before 12 May 2024;

(e) a sum of HK$27.5 million to be repaid to a lender (who is a connected person) for a short-term loan with a fixed interest rate of 8.84% per annum that will mature on or before 20 December 2024;

(f) a sum of HK$52.8 million to be repaid to a lender for a short-term loan with a fixed interest rate of 8.84% per annum that will mature on or before 20 December 2024; and

(g) a sum of HK$82.5 million to be repaid to a lender for a term loan with a fixed interest rate of 6.17% per annum that will mature on or before 15 June 2026;

2. approximately 15.7% or approximately HK$55.0 million to be used as construction cost for the Group's property development project in Kaifeng, the PRC by the last quarter of 2023; and

3. approximately 7.7% or approximately HK$26.9 million to be used as general working capital of the Group (including for potential investments of approximately HK$6.8 million, salary payments of approximately HK$14.4 million, redundancy cost HK$2.0 million and daily operation expenses of approximately HK$3.7 million).

Save for the Proposed Disposal, as at the Latest Practicable Date, the Company does not have any intention or negotiation to enter into any agreement, arrangement or understanding regarding any potential acquisition(s)/disposal(s).

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

Asian Villas is one of the residential and commercial mixed development projects comprise four phases developed by the Group in the PRC which was completed in 2009. In the past, the sales of residential and commercial units have contributed meaningful turnover and profits to the Group. While the Group has sold a majority of units in Asian Villas, the Group has retained the Target Properties since the completion of the property development. As at the Latest Practicable Date, the Group had some unsold residential units, commercial units and 80 car parks in all four phases with gross floor area of approximately 6,338.79 square metres. Upon completion of the Proposed Disposal, the Group will continue to hold some unsold residential units and car parks in phases one, three and four of Asian Villas which are held for sale as at the Latest Practicable Date until they are being sold in the ordinary course of business. The Group understands that the Purchaser intends to redevelop and convert the Target Properties into Haikou Zhongguancun Center. According to public information, the project is jointly redeveloped by the government of Longhua

District of Haikou (via the Purchaser) together with a member of the Zhongguancun Development Group, which is jointly backed by Haikou government and Zhongguancun Development Group. It is a science and technology park redevelopment project that introduces scientific and technological innovation resources and provides a science and technology park ecosystem in line with Haikou's industrial characteristics to cultivate an environment for emerging science and technology innovative enterprises (i.e. unicorn companies) that focus on high-tech, technology finance and internet industries.

The Board considers that the Proposed Disposal will not only allow the Group to realise its investment in the Target Properties at a surplus at the current PRC property market condition, but may also lead to potential demand for residential properties in the same area that may boost the sale of the unsold residential units held for sale of the Group in the Asian Villas. In addition, given the continuous losses in recent years and net cash outflows incurred by the Group for the year ended 31 March 2023, the net gearing ratio of the Group has progressively increased from approximately 25% as at 31 March 2022 to approximately 31% as at 31 March 2023. The Group had outstanding borrowings and bonds payable of approximately HK$476.5 million as at 31 March 2023. As at the Latest Practicable Date, the borrowings and interest accrued of approximately HK$83.7 million in aggregate will fall due in the fourth quarter of 2023, which imposed a pressing need for additional liquidity to alleviate the potential significant impact on the liquidity position of the Group.

As at the Latest Practicable Date, Section G of the Group's development project known as Century Place, Kaifeng, in Kaifeng, Henan Province, the PRC, is still under construction, and it is expected that the construction will be completed by the last quarter of 2023. The Group expects that capital expenditure of around HK$55.0 million will be paid for the ongoing property development business operation and development of Section G of Century Place, Kaifeng, which will further strain the cashflow of the Group in the short to medium term, taking into account the current PRC property market sentiment where there is a general slowdown in the sale of properties. Further, the Group has financed the property development business with interest-bearing borrowings, and the matured borrowings and related finance costs represent a significant burden on the Group, considering the continued liquidity squeeze in the operating cashflow of the Group especially in high interest-rate environment which makes it imperative for the Company to resolve the financial burden on the Group.

As such, the Company considers that the Proposed Disposal represents a valuable opportunity for the Group to realise cash resources from the Target Properties in order to accommodate the payment terms of the current and future indebtedness of the Group and alleviate the imminent need and financial stress of the Group to repay the loans which will fall due soon as discussed in the section headed "Use of Proceeds" above. With the net proceeds from the Proposed Disposal, the indebtedness and related finance costs of the Group will be reduced and the Group can optimise the allocation of its resources for the development of its existing business and/or investments in other business opportunities, enhancing its financial flexibility and reducing its gearing ratio, which is conducive to the Group's ability to manage risks and achieve long-term stable and healthy development, which will be beneficial to the Group and the Shareholders as a whole.

According to the unaudited pro forma financial information of the Remaining Group in Appendix III, upon completion of the Proposed Disposal, the Group still have total asset of approximately HK$2,263.0 million. The Group continues to have a sufficient level of operations and assets sufficient to support its operations. As at the Latest Practicable Date, the Group (i) has no plan or is not under any negotiations relating to any investments in other business opportunities; and (ii) has no intention to dispose of, downsize or terminate any of its existing businesses. However, the Group will continue to evaluate the performance of its existing businesses and assets including but not limited to the disposal of other properties held for sale if the exit opportunities arise so as to better utilise the financial resources to maximise returns to the Shareholders and provide the long-term viability of the Group.

With immediate cash on hand available, the Group will be in a better financial position to pursue its other business opportunities as and when such business opportunities arise. Moving forward, the Group intends to refocus its resources to carry on and expand its trading of medical equipment and home security and automation products business, as well as looking for property development and investment business opportunities in Hong Kong. As disclosed in the Annual Report of the Company for the year ended 31 March 2023, the Group, via its associated company in Taiwan, has successfully obtained the distribution right from Ewac Medical, a world market leader in aquatic hydrotherapy products, and the Group intends to increase the market share in Taiwan medical market. The Group will continue to explore business opportunities in the abovementioned business segments, and to review various alternatives that are in the best interest of the Group and the Shareholders. Any such plans are ultimately subject to the various potential business opportunities and alternatives encountered and market conditions and the Company shall update the Shareholders as and when appropriate.

Taking into consideration of the above, the Directors (including the independent non-executive Directors) believe that the terms of the Proposed Disposal and the transactions contemplated under the Equity Transfer Agreement are on normal commercial terms, fair and reasonable, and the Proposed Disposal are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP, VENDOR 1, VENDOR 2 AND THE PURCHASER

Information about the Group

The Company is an investment holding company. The Group is principally engaged in (i) property development and investment; (ii) trading of medical equipment and home security and automation products, including the provision of related installation and maintenance services; and (iii) operation of a hotel.

Information about Vendor 1

Vendor 1 is a company incorporated in Hong Kong with limited liability, which is an investment holding company and is an indirect wholly-owned subsidiary of the Company.

Information about Vendor 2

Vendor 2 is a company incorporated in the British Virgin Islands with limited liability, which is an investment holding company and is wholly-owned by Wong Ching Chik (王征績), an Independent Third Party.

Information about the Purchaser

The Purchaser is a limited liability company established in the PRC and is principally engaged in the business of urban infrastructure investment, land consolidation, real estate development and operation, project investment, asset management of investment projects, asset management of leasing (except car leasing), tourism project development, bazaar market management, stall leasing, gardening, greening infrastructure, road construction, advertisement design and installation, film and television production, distribution and post-production, cultural and tourism industry development, advertisement design, production and agency, distribution, mass actor recruitment, training, public relations services, property management services, business information consulting, corporate marketing planning consultation, construction project consultation, agency construction services, etc. The Purchaser is wholly-owned by 海口市龍華區招商引資和項目開發服務中心 (Haikou Longhua City Investment Promotion and Project Development Service Centre*), which is ultimately owned by the government of Longhua District of Haikou.

SGM

The SGM will be convened and held at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 21 September 2023 at 11: 30 a.m. to consider and, if thought fit, approve the Proposed Disposal and the transactions contemplated under the Equity Transfer Agreement by way of poll, the results of which will be announced after the SGM. A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular.

Pursuant to the Listing Rules, any Shareholder who has a material interest in the Proposed Disposal and his/her/its close associates will abstain from voting on the relevant resolution at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the Proposed Disposal and the transactions contemplated as contemplated under the Equity Transfer Agreement, and therefore no Shareholder and its/his/her associates would be required to abstain from voting on the resolution to approve the Proposed Disposal and the transaction contemplated under the Equity Transfer Agreement at the SGM.

Each of the controlling shareholders of the Company, namely, Mr. Tjia Boen Sien and Sparta Assets Limited, as well as the substantial shareholder of the Company, Granda Overseas Holding Co., Ltd has irrevocably undertaken that he/it will vote in favour of the resolution(s) to be proposed at the SGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Tjia Boen

* *For identification purposes only*

Sien (including his personal interest and deemed interest via Sparta Assets Limited) and Granda Overseas Holding Co., Ltd owns approximately 44.58% and 17.76% of the total issued Shares of the Company, respectively.

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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event on or before 11:30 a.m. on Tuesday, 19 September 2023, being not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or adjournment thereof should you so wish.

VOTING BY POLL AT SGM

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

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the terms of the Equity Transfer Agreement and the Proposed Disposal are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

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 Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the published financial information of the Group for each of the three years ended 31 March 2021, 2022 and 2023 are disclosed in the annual reports of the Company for the three years ended 31 March 2021, 2022 and 2023, respectively. Details of these financial statements have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.deson.com):

- annual report of the Company for the year ended 31 March 2021 published on 22 July 2021 (pages 91 to 226)

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0722/2021072200429.pdf;

- annual report of the Company for the year ended 31 March 2022 published on 22 July 2022 (pages 97 to 230)

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0722/2022072200323.pdf; and

- annual report of the Company for the year ended 31 March 2023 published on 20 July 2023 (pages 106 to 250)

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0720/2023072000243.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

(a) Interest-bearing bank and other borrowings

The Group had outstanding interest-bearing bank and other borrowings of HK$441,892,000, details of which are set out below:

	Secured	**Unsecured**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Bank loans	215,020	—	215,020
Bank overdrafts	21,329	—	21,329
Trust receipt loans	4,443	—	4,443
Borrowings from other finance providers	30,000	88,600	118,600
Loan from a related party	—	49,500	49,500
Bonds payable	—	33,000	33,000
	270,792	171,100	441,892

The bank and other borrowings were principally denominated in HK$ and Renminbi, hence, there was no significant exposure to foreign exchange rate fluctuations.

Except for the bank overdrafts of HK$21,329,000 which were borrowed at floating rate, the remaining bank and other borrowings of HK$420,563,000 were borrowed at fixed interest rate.

As at the close of business on 31 July 2023, the Group's banking facilities were secured by:

(i) the pledge of certain leasehold land and buildings and investment properties of the Group situated in Hong Kong and the PRC of HK$160,260,000 and HK$470,800,000 respectively;

(ii) the pledge of certain properties held for sale under development and completed properties held for sale of the Group situated in the PRC totalling HK$140,580,000;

(iii) the assignment of annual rental income of HK$4,008,000 from the leases of certain properties of the Group;

(iv) the pledge of certain time deposits of the Group of HK$4,000,000;

(v) the pledge of certain properties held by a related company of the Group of with the fair value of HK$16,069,000; and

(vi) the pledge of certain listed equity instruments held by the equity investee of the Group of with the fair value of HK$31,168,000.

At 31 July 2023, the borrowings amounting to HK$119,950,000 were guaranteed individually or in combination by subsidiaries within the Group. The remaining indebtedness amounting to HK$321,942,000 were not guaranteed.

(b) Lease liabilities

The Group has certain lease contracts for leased properties. As at 31 July 2023, the Group recognised aggregate lease liabilities of HK$894,000 under HKFRS 16 "Leases" in respect of non-cancellable operating lease contracts.

(c) Other liabilities

As at 31 July 2023, the Group had outstanding amounts due to non-controlling shareholder of a subsidiary and related parties of HK$16,402,000 and HK$10,264,000 respectively. These balances due were unsecured, interest-free and repayable on demand.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the normal course of business, as at the close of business on 31 July 2023, 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, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Group since 31 July 2023, being the latest practicable date for determining the Group's indebtedness up to the date of this circular.

3. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the internal financial resources presently available to the Group and upon the estimated net proceeds of the 1^{st} & 2^{nd} Instalments from the Proposed Disposal, the cash flows to be generated from the operating activities and the available banking facilities and, in the absence of any unforeseeable circumstances, the Remaining Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular. The Company has obtained the relevant confirmation from its auditors as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that there were no material adverse changes in the financial or trading position or prospects of the Group since 31 March 2023 (being the date to which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

The Remaining Group is principally engaged in (a) property development and investment; (b) trading of medical equipment and home security and automation products; and (c) operation of a hotel.

Property development and investment

Looking forward to 2023, inflation is running at a high level, interest rates will remain high with little room for cuts, it is expected that global economic growth will continue to slow down and some major economies may plunge into recession. Although Chinese government has taken measures to support the steady development of the economy and the real estate market, China's economic growth still faces challenges in 2023 as consumers are less willing to purchase houses and their confidence in the economy has yet to be restored. Notwithstanding the above, it is expected that China's macro economy and property market will bottom out and rebound, driven by the significant easing of the pandemic situation in China, adjustments for pandemic prevention and control policies and the lifting of the border restrictions between Hong Kong, other countries and China. In 2023, stabilising economic growth will remain to be the main goal of economic work for the central government. The central government is expected to continue to intensify its efforts to stabilise macro-economic growth, adopt a proactive fiscal policy and a prudent and loose monetary policy, provide more support for the real estate industry and market and promote the steady development of the economy.

Currently, the leverage ratio and assets debt ratio of the Remaining Group are relatively low in the same field. Under the macro policy of the central Government, the banks are relaxing their lending policy towards the landed properties business. The Remaining Group will take this opportunity to sell its assets in order to optimise its cash flows and lower the Remaining Group's risk on debts.

Century Place, Kaifeng

On 9 June 2005, the Remaining Group was granted the land use rights of a development site in the Long Ting district of the city of Kaifeng, Henan Province, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 210,500 sq. metres, known as "**Century Place, Kaifeng**". Up to the Latest Practicable Date, the construction of a gross floor area of 190,000 sq. metres has been completed and a total sales contract sum of approximately RMB767 million has been achieved. The remaining part of the land (Section G) is under construction, and it is expected the construction will be completed by the last quarter of 2023 and the pre-sale has already started in the second quarter of 2021.

The unsold area at the Century Place, Kaifeng consists of the following:

	Current use	**Gross floor area** *(approximate sq. metres)*
Section A	Investment properties — Shops (leased out)	53,600
Section B	Properties held for sales — Apartments	200
	— Car park	78
Section C	Properties held for sales — Villas	6,000
Section D	Properties held for sales — Offices	1,200
	— Car park	10
Section E	Properties held for sales — Shops	350
Section F	Properties held for sales — Shops	11,100
	— Car park	89
Section G	Properties held for sales under development — Apartments and shops	20,500

The Remaining Group plans to sell Section C together with Section G. It is because these two sections are adjacent to each other and it is believed that the synergy effect can bring a higher return to the Remaining Group. Up to the Latest Practicable Date, the discussions regarding any potential sales remained preliminary and no formal proposal has been put forward by any third party to the Remaining Group and no legally binding agreement or contract relating to such business cooperation has been entered into by the Company or any of its subsidiaries. The outcome of any discussion on such business cooperation is not known as of the Latest Practicable Date and in the event that any agreement or contract regarding the possible business cooperation with the aforementioned third party is reached, the Company will comply with the relevant requirements of the Listing Rules.

Up to the Latest Practicable Date, the total contract sum from the pre-sale of Section G properties amounted to approximately RMB23 million. However as the ownership of the properties have not yet been ready to be passed to the buyers, no revenue from sales has been recognised for Section G during the financial year ended 31 March 2023.

World Expo, Kaifeng

On 16 February 2012, the Remaining Group successfully won a bid for the acquisition of land use right of a residential and commercial site in the city of Kaifeng, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 95,000 sq. metres, known as "**World Expo, Kaifeng**". Up to the Latest Practicable Date, this project has been completed and achieved a total sales of gross floor area of approximately 68,000 sq. metres with contract sum of approximately RMB573 million.

The unsold area at the World Expo, Kaifeng consists of the following:

	Current use	**Gross floor area** *(approximate sq. metres)*
Commercial Section A	Property, plant and equipment — Hotel	14,000
Commercial Section B	Properties held for sales — Shops	6,200
Residential Blocks 1–3	Properties held for sales — Apartments	7,100
	— Car park	147

Trading of medical equipment and home security and automation products

Medical equipment

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

In addition, with the improving standard of living and technology in Hong Kong, major cities in the PRC and Southeast Asia, the Remaining Group aims to provide a series of solutions to smart city development for shopping malls, government facilities, border and airport, etc.

During the year ended 31 March 2023, the Remaining Group is the sole distributor in Hong Kong for a medical-grade air purifier, Perfect Particulates Purification ("**PPP**"). PPP air purifiers are developed by a team of Hong Kong air quality experts and medical professionals. The PPP air purifiers include different models for various applications.

During the year ended 31 March 2023, the Remaining Group has set up two associates, namely Hope4Care Limited (20% owned by the Remaining Group) and UltraX Technologies Co., Ltd. (35% owned by the Remaining Group), with independent third parties.

Hope4Care Limited is a research and development company which engages in inventing intelligent human-computer interaction rehabilitation training platforms for the elderly and persons with chronic diseases. The Remaining Group cooperates with a professor from Chinese University of Hong Kong to develop the online augmented reality and virtual reality training platforms for stroke survivors and the elderly, including upper limb, lower limb, balance and coordination exercises. The products specially target on the elderly and persons with chronic diseases and to provide online rehabilitation service to improve their quality of life.

UltraX Technologies Co., Ltd. ("**UltraX**") (晁能力科技股份有限公司), is a company incorporated in Taiwan which holds the licence for trading of medical equipment for both retail and wholesale markets in Taiwan. UltraX has successfully obtained the distribution right from Ewac Medical, a world market leader in aquatic rehabilitation equipment. Based on the Remaining Group's experiences in hydrotherapy products, the Remaining Group intends to increase the market share in Taiwan medical market.

Home security and automation products

Through one of the associates of the Remaining Group, Axxonsoft Hong Kong Limited, the Remaining Group continues to promote the application of artificial intelligence ("**AI**") video analysis technology, which can provide various functions such as preventing loitering, assist in controlling the spread of diseases, analyzing human posture and behaviour, and assisting property valuation.

In Hong Kong, the Remaining Group provides people flow analysis services to financial institutions located in different areas to help them better understand customer traffic patterns. The Remaining Group also provides advanced video management platform software to various organizations of the Hong Kong Government to enhance their monitoring and management capabilities.

In Mainland China, the Remaining Group has successfully obtained the first large-scale airport project which integrates multiple different systems, such as access control systems, intrusion alarm systems and fire alarm systems, etc., while combining over 18,000 channels of video cameras, some of which are equipped with AI analysis capabilities, to provide more comprehensive physical security information management services for airport managers.

The Remaining Group actively increases its market share by attending seminars and exhibitions in order to promote our products and expand the sales channel.

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

Hotel operations

The Remaining Group has signed an agreement with 六洲酒店管理(上海)有限公司 (Intercontinental Hotels Group (Shanghai) Ltd.) (a member of IHG Hotels & Resort) to operate the hotel under the name of "Holiday Inn Express Kaifeng City Center". Holiday Inn Express is one of the world-famous selected service hotel brands. Holiday Inn Express Kaifeng was opened in January 2020.

The Remaining Group is taking all practicable measures to cope with challenges of the COVID-19 Pandemic. The first priority is to deliver a feeling of safety to our guests. Therefore, we put in place strict sanitisation and hygiene protocol to ensure guests returning to stay or dine in the hotel will have complete peace of mind and full assurance in the hotel's products and services. Moreover, we introduced marketing and sales recovery strategies to target the domestic market for staycation and food menu for takeaway, and at the same time, taking decisive decision to reduce operating costs. The Remaining Group will continue to improve the quality of its hotel services to ensure the hotel guests having enjoyable experiences during their stays in the hotel.

The Board will strive for new breakthroughs in terms of industry and geographic coverage by improving the Remaining Group's corporate governance to comply with the Listing Rules, increasing the risk control level, enhancing asset management capability, further forging a professional and high-quality talent team to seise the development opportunity and actively develop new customers. The Remaining Group will also pay attention to maintain relationships with existing customers and explore deeper cooperation with quality customers in order to achieve steady and long-term development of the Remaining Group.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis of the Remaining Group for the year ended 31 March 2023 (the "**Reporting Period**"). Upon Completion of the Proposed Disposal, the Remaining Group will no longer hold any interest in Target Company 1 and Target Property 2, and Target Company 1 will no longer remain as a subsidiary of the Remaining Group. The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the consolidated financial statements of the Company for the Reporting Period with the exclusion of the Target Company 1 and Target Property 2.

(a) Business review for the year ended 31 March 2023

Business review

The Remaining Group's major business segments during the year ended 31 March 2023 comprise:

(i) the property development and investment business segment where the Remaining Group is engaged in property development of residential and commercial properties and the holding of investment properties;

(ii) the trading business segment where the Remaining Group is engaged in the trading of medical equipment and home security and automation products, including the provision of related installation; and

(iii) the "others" segment comprises, principally, the operation of a hotel.

The Remaining Group's revenue for the year ended 31 March 2023 was approximately HK$97,563,000 (2022: HK$109,995,000), representing a decrease of approximately 11% as compared to last year.

Property development and investment business

The Remaining Group's revenue for the year ended 31 March 2023 generated from this segment was approximately HK$34,818,000 (2022: HK$31,359,000), representing an increase of approximately 11% as compared with last year. Revenue generated from this segment was derived from the sales of properties in the PRC and rental income earned from investment properties located in the PRC.

In Mainland China, COVID-19 Pandemic was very much in check under strict preventive measures and consorted efforts taken by the central government. The central government had provided accommodative monetary policy and necessary fiscal stimulus to ensure economic recovery. During the period, the property market continued its downturn carried forward from last year as many property developers experienced serious credit and liquidity crunch as a result of the central government effort to rectify the overleveraged property market. The overall sentiment of the property market inevitably affected the Remaining Group's property business in Mainland China.

(i) Sales of properties

Revenue increased significantly from approximately HK$7,166,000 for the year ended 31 March 2022 to approximately HK$10,910,000 for the year ended 31 March 2023, representing a significant increase of approximately 52%. Although an increment was noted, sales was still experiencing a low level during the Reporting Period. Sales were mainly contributed by the sales of certain remaining commercial units at World Expo, Kaifeng. Compared with the corresponding period last year, only remaining residential units of World Expo were sold with smaller contract sums.

(ii) Rental income from investment properties

Rental income from investment properties decreased from approximately HK$24,193,000 for the year ended 31 March 2022 to approximately HK$23,908,000 for the Reporting Period, representing a slightly decrease of approximately 1%. The slight decrease was arising from the drop of rental income arising from Haikou, the PRC. As the Remaining Group has entered the Letter of Intent with the Purchaser to sell the Target Properties, the tenancy agreement that expired during the Reporting Period has not been renewed. On the other hand, the decrease in the average exchange rate of Renminbi to Hong Kong dollars from 1.21 to 1.14 also cause the drop in rental income during the Reporting Period.

Segment profit generated from this segment during the Reporting Period amounted to approximately HK$36,367,000 (2022: loss of HK$118,976,000). This is mainly due to the fair value gain on investment properties (before deferred tax) amounting approximately HK$46,284,000 (2022: loss of HK$73,253,000). Fair value gain noted for this Reporting Period was mainly arising from the shopping mall and a hotel located in Haikou, the PRC. As more companies are moving their headquarters to Haikou, the unit selling price for commercial properties located in Haikou increases accordingly due to the increase in demand.

On the other hand, the decrease in the provision for net realisable value of property held for sales from approximately HK$41,866,000 for the year ended 31 March 2022 to approximately HK$10,374,000 for this Reporting Period also caused the improvement of the segment result. The provisions recognised for the properties held for sales were mainly attributable to the properties located in Kaifeng, the PRC, in respect of the significant drop was noted for the unit price for unsold villas at Section C and Section F of Century Place, Kaifeng, the PRC due to the worsen economy as a results of the COVID-19 Pandemic.

Trading business

The Remaining Group's revenue for the year ended 31 March 2023 generated from this segment recorded at approximately HK$52,176,000 (2022: HK$69,584,000), representing a decrease of approximately 25% as compared with last year.

Revenue generated from this segment arises from the trading of medical equipment, wellness and pandemic prevention products and home security and automation products, including the provision of the related installation and maintenance services.

(i) Trading of medical equipment, wellness and pandemic prevention products

Revenue decreased from approximately HK$57,498,000 for the year ended 31 March 2022 to approximately HK$45,345,000 for the year ended 31 March 2023, representing a decrease of approximately 21%. The decrease was due to more orders completed in last reporting period due to the significant increase in demand of air purifiers because of the COVID-19 Pandemic. On the other hand, Hong Kong faced its largest virus outbreak in February 2022, the purchase department of the Hospital Authority (our major customer) has put more focus on those urgent orders for anti-pandemic products in the first half of 2022 which caused the significant increase in turnover in last reporting period. The Remaining Group's major customer has deferred some of the non-urgent orders to coming years.

(ii) Trading of home security and automation products

Turnover decreased from approximately HK$12,086,000 for the year ended 31 March 2022 to approximately HK$6,831,000 for the year ended 31 March 2023, representing a decrease of approximately 43%. The significant decrease was because of the drop in demand for security products during the COVID-19 Pandemic where some potential projects in the PRC have been delayed due to the lock down policy. On the other hand, in order to clear some old slow moving inventories, some inventories were sold at low selling price.

Segment operating profit generated from this segment during the Reporting Period amounted to approximately HK$4,325,000 (2022: HK$2,939,000). The significant increase was because we have made an impairment of accounts receivable amounting HK$5,122,000 in last reporting period regarding the trading of home security and automation products for the sales noted in the PRC.

Other business, principally operation of a hotel

The Remaining Group's revenue for the year ended 31 March 2023 generated from this segment recorded at approximately HK$10,569,000 (2022: HK$9,052,000), representing an increase of 17% as compared with last year. Revenue generated from this segment arises mainly from the operation of a hotel. The Remaining Group operates one hotel, namely Holiday Inn Express Kaifeng City Center ("**Holiday Inn Express Kaifeng**") during the Reporting Period. Holiday Inn Express Kaifeng is located in the city centre of Kaifeng, with a total gross floor area of approximately 14,000 sq. metres. It consists of 243 guest rooms, including 100 king bed standard rooms, 106 single bed standard rooms, 18 king bed superior rooms, 18 single bed superior rooms and 1 suite. There are also 3 meeting rooms with a total gross floor area of approximately 460 sq. metres.

During the Reporting Period, the overall performance of the Remaining Group's hotel in the Mainland China was affected by the intermittent pandemic. The PRC Government imposed lockdowns in some provinces with strict social distancing measures during the COVID-19 Pandemic. It caused a drop in occupancy rate in early of the Reporting Period. However, the drop was totally offset when Holiday Inn Express Kaifeng was selected as a quarantine hotel for Kaifeng, the PRC from August 2022 to December 2022.

Segment operating loss generated from this segment during the Reporting Period amounted to approximately HK$6,931,000 (2022: HK$24,598,000). This is mainly due to the recognition of deficit from revaluation of property, plant and equipment, being the hotel premises at Kaifeng, the PRC (before deferred tax) to approximately HK$19,413,000 in last reporting period. Deficit noted for this Reporting Period is only HK$1,271,000. The COVID-19 Pandemic has caused a significant drop in the number of tourists during the Reporting Period. The worsened tourism business directly and adversely affected the fair value of the hotel premises, contributing to the deficit from revaluation of property, plant and equipment.

The net loss attributable to owners of the Company for the year ended 31 March 2023 amounted to approximately HK$90,967,000 as compared with the net loss attributable to owners of the Company for the year ended 31 March 2022 of approximately HK$27,274,000. The significant increase in loss was due to the increase in fair value loss on equity investments designated at fair value through profit or loss from a gain of approximately HK$110,239,000 for the year ended 31 March 2022 to a loss of approximately HK$75,709,000 for the Reporting Period due to the significant decrease in the share price of one of the equity investment that was listed in China on Shenzhen Stock Exchange. The above loss was partly offset by the change in fair value of investment properties from a loss of approximately HK$73,253,000 for the year ended 31 March 2022 to a gain of approximately HK$46,284,000 for the Reporting Period.

Loss per share for the year ended 31 March 2023 was approximately HK6.20 cents (2022: HK2.42 cents).

(b) Financial review for the year ended 31 March 2023

Revenue

For the year ended 31 March 2023, the Remaining Group's revenue amounted to approximately HK$98 million, decreased by approximately 11% as compared with last year. Such decrease was mainly because of the drop in sales in trading segment due to (i) higher demand for medical products was noted last year due to the outbreak of COVID-19 Pandemic; and (ii) in order to clear some old slow moving inventories, the unit selling price of trading of home security and automation products was reduced significantly.

Revenue generated from the property development and investment business, trading business and other business amounted to approximately HK$35 million, HK$52 million and HK$11 million, respectively, representing an increase of approximately 11%, a decrease of approximately 25% and an increase of approximately 17%, respectively, as compared with the corresponding period of last year.

Gross profit margin

During the year ended 31 March 2023, the Remaining Group's gross profit margin was approximately 52.0%, increased by approximately 5.2 percentage points as compared with last year's 46.8%. The increase was mainly attributable by the property segment that the average gross profit margin for selling the shops in Kaifeng at this Reporting Period is higher than that for selling residential apartments in last year.

Significant investments

For the year ended 31 March 2023, the Remaining Group had no significant investments.

Fair value (loss)/gain on an equity investments at fair value through profit or loss

The amount represents the fair value change of the equity investments designated at fair value through profit or loss. As at 31 March 2022, the share price of one of the equity investment was increased significantly comparing with the share price as at 31 March 2021 and fair value gain amounting HK$120 million was recognised. The share price was dropped as at 31 March 2023 and fair value loss amounting HK$65 million was recognised.

Liquidity, financial resources and gearing ratio

During the Reporting Period, the Remaining Group maintained a healthy liquidity position with working capital financed mainly by internal resources and also other borrowings. The Remaining Group adopted a prudent cash and financial management policy.

As at 31 March 2023, the Remaining Group had total assets of approximately HK$2,262,780,000, which were financed by total liabilities, shareholders' equity and non-controlling interests of approximately HK$795,529,000, approximately HK$1,477,726,000 and approximately HK$10,475,000 (debit balance), respectively. The Remaining Group's current ratio at 31 March 2023 was 2.73 as compared with 2.18 at 31 March 2022.

Gearing ratio is calculated by the total interest-bearing debts less cash and cash equivalents divided by the total equity as at the end of the respective reporting periods and multiplied by 100%. The Remaining Group had a net gearing ratio of approximately 31% as at 31 March 2023 (2022: 25%). The Remaining Group analysed the maturity profiles of its borrowings and manage our liquidity level to ensure a sufficient cash flow to service its indebtedness and meet cash requirements arising from our business. The Remaining Group will explore various financing opportunities to improve our capital structure and reduce its cost of capital.

Capital expenditure

Total capital expenditure for the year ended 31 March 2023 was approximately HK$356,000.

Contingent liabilities

As at 31 March 2023, the Remaining Group had no significant contingent liabilities.

Commitments

As at 31 March 2023, the Remaining Group had capital commitments contracted, but not provided for, of approximately HK$1,201,000.

Charges on group assets

The Remaining Group's banking facilities were secured by:

(i) the pledge of certain of the Remaining Group's leasehold land and buildings situated in Hong Kong and the PRC of HK$163,294,000;

(ii) the pledge of certain of the Remaining Group's investment properties situated in the PRC of HK$487,920,000;

(iii) the pledge of certain listed equity instruments held by the Remaining Group's equity investee with a fair value of HK$34,358,000;

(iv) the pledge of certain of the Remaining Group's properties held for sale under development and properties held for sale situated in the PRC of HK$145,692,000;

(v) the assignment of rental income from the leases of certain of the Remaining Group's properties; and

(vi) the pledge of the Remaining Group's time deposits of HK$4,000,000.

Treasury policies

The Remaining Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2023. The Remaining Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Exchange risk exposure

The Remaining Group is mainly exposed to balances denominated in RMB which mainly arise from certain entities' foreign currency-denominated monetary assets and liabilities for the Remaining Group's operating activities.

The Remaining Group currently does not have a foreign currency hedging policy to eliminate the currency exposures against changes in exchange rates of RMB against Hong Kong Dollar. However, the management monitors the related foreign currency exposures closely and will consider hedging significant foreign currency exposures should the need arise.

Human Resources

As at 31 March 2023, the Remaining Group had 129 employees, 83 of whom were based in the PRC and the remaining employees were based in Hong Kong. The total employee benefits expenses including directors' emoluments for the year ended 31 March 2023 was approximately HK$37.7 million as compared with approximately HK$39.9 million in last year. The decrease was because of the decrease in salary for the hotel operation due to the closure under the COVID-19 pandemic. Besides, staff cost dropped too after the hotel was selected as a quarantine. The above decrease was partly offset by the increase in commission bonus to sales people under the trading segment.

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

FINANCIAL INFORMATION OF THE TARGET COMPANY 1

Set out below are the unaudited statements of financial position of the Target Company 1 as at 31 March 2021, 2022 and 2023 and the unaudited statements of profit or loss and other comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows of the Target Company 1 for the years then ended, and certain explanatory notes (the "**Financial Information**"). The Financial Information has been presented on the basis set out in note 2 of the notes to the Financial Information and are prepared in accordance with the accounting policies adopted by the Company as shown in its annual report for the year ended 31 March 2023, and Rule 14.68(2)(a)(i) of the Listing Rules.

The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Proposed Disposal. The Company's auditors, Baker Tilly Hong Kong Limited (the "**Reporting Accountants**"), were engaged to review the Financial Information of Target Company 1 set out on pages II-2 to II-6 of this appendix in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the Reporting Accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the Reporting Accountants do not express an audit opinion.

Based on their review on the Financial Information of the Target Company 1, nothing has come to their attention that causes them to believe that the Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in note 2 below.

Unaudited statements of profit or loss and other comprehensive income of the Target Company 1
For the three years ended 31 March 2021, 2022 and 2023

	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	—	—
Other income and gains	584	606	632
Administrative expenses	(526)	(874)	(228)
PROFIT/(LOSS) BEFORE TAX	58	(268)	404
Income tax (expense)/credit	(3)	7	(17)
PROFIT/(LOSS) FOR THE YEAR	55	(261)	387
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation to presentation currency	2,182	1,361	(2,438)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF TAX	2,182	1,361	(2,438)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	2,237	1,100	(2,051)

Unaudited statements of financial position of the Target Company 1
As at 31 March 2021, 2022 and 2023

	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*
CURRENT ASSETS			
Properties held for sale under development and properties held for sale	39,872	41,249	38,770
Cash and cash equivalents	222	88	120
Total current assets	**40,094**	**41,337**	**38,890**
CURRENT LIABILITIES			
Other payables and accruals	473	623	210
Total current liabilities	**473**	**623**	**210**
Net current assets	**39,621**	**40,714**	**38,680**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	599	592	609
Total non-current liabilities	599	592	609
NET ASSETS	**39,022**	**40,122**	**38,071**
EQUITY			
Equity attributable to owners of the Company			
Paid-in capital	12,000	12,000	12,000
Reserves	27,022	28,122	26,071
TOTAL EQUITY	**39,022**	**40,122**	**38,071**

Unaudited statements of changes in equity of the Target Company 1
For the three years ended 31 March 2021, 2022 and 2023

	Paid-in capital *HK$'000*	Exchange Fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total Equity *HK$'000*
At 1 April 2020	**12,000**	**229**	**24,556**	**36,785**
Profit for the year	—	—	55	55
Exchange differences on translation to presentation currency	—	2,182	—	2,182
Total comprehensive income for the year	—	2,182	55	2,237
At 31 March 2021 and 1 April 2021	**12,000**	**2,411**	**24,611**	**39,022**
Loss for the year	—	—	(261)	(261)
Exchange differences on translation to presentation currency	—	1,361	—	1,361
Total comprehensive income/(loss) for the year	—	1,361	(261)	1,100
At 31 March 2022 and 1 April 2022	**12,000**	**3,772**	**24,350**	**40,122**
Profit for the year	—	—	387	387
Exchange differences on translation to presentation currency	—	(2,438)	—	(2,438)
Total comprehensive (loss)/income for the year	—	(2,438)	387	(2,051)
At 31 March 2023	**12,000**	**1,334**	**24,737**	**38,071**

Unaudited statements of cash flows of the Target Company 1
For the three years ended 31 March 2021, 2022 and 2023

	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax and operating profit/(loss) before changes in working capital	58	(268)	404
Increase/(decrease) in other payables and accruals	64	129	(366)
Net cash flow generated from/(used in) operating activities	122	(139)	38
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**122**	**(139)**	**38**
Cash and cash equivalents at beginning of year	92	222	88
Effect of foreign exchange rate change	8	5	(6)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**222**	**88**	**120**

Notes to the financial information of the Target Company 1

For the three years ended 31 March 2021, 2022 and 2023

1. GENERAL INFORMATION

Honour Advance Real Estate (Hainan) Limited* (the "**Disposal Company**") is principally engaged in property holding in Mainland China.

The functional currency of the Disposal Company is in Renminbi and the unaudited financial information of the Disposal Company is presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

The unaudited financial information of the Disposal Company for the three years ended 31 March 2021, 2022 and 2023 (the "**Financial Information**") has been prepared solely for the purpose of inclusion in the circular to be issued by Deson Development International Holdings Limited (the "**Company**") in connection with the proposed disposal of 100% equity interest in the Disposal Company in accordance with Rule 14.68(2)(a)(i) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and in accordance with the relevant accounting policies adopted by the Company in the preparation of the consolidated financial statements of the Company and its subsidiaries for the years ended 31 March 2021, 2022 and 2023 (the "**Relevant Years**"), which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The Financial Information of the Disposal Company has been prepared under the historical cost convention. The Financial Information of the Disposal Company does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor a complete condensed interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA, and that it should be read in connection with the relevant published annual financial statements of the Company for the Relevant Years.

* *For identification purpose only*

FINANCIAL INFORMATION OF THE TARGET PROPERTY 2

Unaudited profit or loss statements of the Target Property 2
For the three years ended 31 March 2021, 2022 and 2023

In accordance with paragraph 14.68(2)(b)(i) of the Listing Rules, the unaudited profit and loss statements on the identifiable net income stream of the Target Property 2 for the years ended 31 March 2021, 2022 and 2023 are set out below:

	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	2,364	2,485	363
Fair value gain on investment properties	20,700	9,559	20,521
Administrative expenses	(3,674)	(6,508)	(1,861)
PROFIT BEFORE TAX	19,390	5,536	19,023
Income tax expense	(5,175)	(2,390)	(5,130)
PROFIT FOR THE YEAR	14,215	3,146	13,893

The Company has engaged the Reporting Accountants of the Company, to conduct the agreed-upon procedures engagement on the compilation of the unaudited profit or loss statement of the Target Property 2 in accordance with the Hong Kong Standard on Related Services 4400 (Revised) "Agreed-upon Procedures Engagements", issued by the Hong Kong Certified Public Accountants. Baker Tilly Hong Kong Limited has (i) obtained the unaudited profit or loss statements of the Target Property 2 for each of the years ended 31 March 2021, 2022 and 2023 (the "**Relevant Years**") (the "**Schedules**") and the schedule setting out name(s) of lessor(s) and lessee(s), rental periods and monthly rent pertaining to the Target Property 2 for the Relevant Years (the "**Rental Income Summary**") prepared by the management of the Company and checked the arithmetical accuracy of the Schedules and the Rental Income Summary; (ii) compared the revenue shown on the Schedules to the relevant amounts in the underlying ledgers provided by the management of the Company for the Relevant Years; (iii) compared the gross rental income included in the revenue as shown on the Schedules to the relevant amounts included in the Rental Income Summary; (iv) compared the name(s) of the lessor(s) and lessee(s), rental periods and monthly rent included in the Rental Income Summary to relevant details as set out in the copies of corresponding tenancy agreements made available to Baker Tilly Hong Kong Limited by the management of the Company; and (v) compared the amounts of other operating income and expenses shown on the Schedules to the relevant aggregate amounts in the underlying ledgers provided by the management of the Company for the Relevant Years. Since the agreed-upon procedures were agreed by the Directors and Baker Tilly Hong Kong Limited and the findings on the agreed-upon procedures were reported solely for the information of the Directors, they should not be used or relied upon by any other parties for any other purposes.

The information set out in this Appendix does not form part of the Accountants' Report issued by Baker Tilly Hong Kong Limited, the Company's reporting accountants, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial information of the Group" set out in Appendix I.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(1) Introduction

Capitalised terms used herein shall have the same meanings as those defined in this circular.

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect that the Proposed Disposal might have on the financial information of the Group.

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2023 as extracted from the published annual report for the year ended 31 March 2023 ("**2023 Annual Report**") dated 29 June 2023, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Proposed Disposal on the financial position of the Remaining Group as if the completion of the Proposed Disposal had taken place on 31 March 2023.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2023 as extracted from the 2023 Annual Report, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Proposed Disposal on the financial performance and cash flows, respectively, of the Remaining Group as if the completion of the Proposed Disposal had taken place on 1 April 2022.

The unaudited pro forma financial information of the Remaining Group has been prepared by the Directors in accordance with Rules 4.29, 14.68(2)(a)(ii) and 14.68(2)(b)(i) of the Listing Rules for illustrative purposes only, based on their judgements, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the completion of Proposed Disposal been completed as at 31 March 2023 or at any future dates and of the financial performance and cash flows of the Remaining Group for the year ended 31 March 2023 or any future periods had the Proposed Disposal been completed on 1 April 2022 or at any future dates.

The unaudited pro forma financial information should be read in conjunction with the published 2023 Annual Report, the Company's announcement dated 7 August 2023 and other financial information included elsewhere in this circular.

(2) Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group as at 31 March 2023

	The Group as at 31 March 2023	Pro forma adjustments			Unaudited pro forma of the Remaining Group
	Note (a)	Note (d)	Note (e)	Note (f)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Goodwill	—	—	—	—	—
Property, plant and equipment	282,463	—	—	—	282,463
Investment properties	684,114	—	—	—	684,114
Investments in associates	4,736	—	—	—	4,736
Equity investments at fair value through profit or loss	157,463	—	—	—	157,463
Consideration receivable for the Proposed Disposal	—	—	—	280,320	280,320
Total non-current assets	**1,128,776**	**—**	**—**	**280,320**	**1,409,096**
CURRENT ASSETS					
Due from associates	2,532	—	—	—	2,532
Properties held for sale under development and properties held for sale	702,073	(7,393)	—	—	694,680
Inventories	2,883	—	—	—	2,883
Accounts receivable	14,048	—	—	—	14,048
Prepayments, deposits and other receivables	26,943	—	—	—	26,943
Tax recoverable	24,940	—	—	—	24,940
Pledged deposits	4,000	—	—	—	4,000
Cash and cash equivalents	24,408	—	—	59,500	83,908
	801,827	(7,393)	—	59,500	853,934
Assets of a disposal group classified as held for sale	332,177	(31,497)	(300,680)	—	—
Total current assets	**1,134,004**	**(38,890)**	**(300,680)**	**59,500**	**853,934**

(2) Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group as at 31 March 2023 (continued)

	The Group as at 31 March 2023	Pro forma adjustments			Unaudited pro forma of the Remaining Group
	Note (a)	Note (d)	Note (e)	Note (f)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CURRENT LIABILITIES					
Accounts payable	5,062	—	—	—	5,062
Other payables and accruals	95,697	—	—	(11,000)	84,697
Due to related parties	6,996	—	—	—	6,996
Tax payable	27,794	—	—	33,566	61,360
Interest-bearing bank and other borrowings	222,199	—	—	—	222,199
Lease liabilities	326	—	—	—	326
	358,074	—	—	22,566	380,640
Liabilities of a disposal group classified as held for sale	57,748	(210)	(57,538)	—	—
Total current liabilities	**415,822**	**(210)**	**(57,538)**	**22,566**	**380,640**
Net current assets	**718,182**	**(38,680)**	**(243,142)**	**36,934**	**473,294**
Total assets less current liabilities	**1,846,958**	**(38,680)**	**(243,142)**	**317,254**	**1,882,390**
NON-CURRENT LIABILITIES					
Bonds payable	33,000	—	—	—	33,000
Interest-bearing bank and other borrowings	169,970	—	—	—	169,970
Loan from a related party	51,300	—	—	—	51,300
Deferred tax liabilities	124,762	(609)	—	—	124,153
Lease liabilities	675	—	—	—	675
Total non-current liabilities	**379,707**	**(609)**	**—**	**—**	**379,098**
NET ASSETS	**1,467,251**	**(38,071)**	**(243,142)**	**317,254**	**1,503,292**
EQUITY					
Equity attributable to owners of the Company					
Issued capital	146,682	—	—	—	146,682
Reserves	1,331,044	(38,071)	(243,142)	317,254	1,367,085
	1,477,726	(38,071)	(243,142)	317,254	1,513,767
Non-controlling interests	(10,475)	—	—	—	(10,475)
TOTAL EQUITY	**1,467,251**	**(38,071)**	**(243,142)**	**317,254**	**1,503,292**

(3) Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Remaining Group for the year ended 31 March 2023

	The Group for the year ended 31 March 2023	Pro forma adjustments			Unaudited pro forma of the Remaining Group
	Note (a)	Note (g)	Note (h)	Note (i)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	97,563	—	(363)	—	97,200
Cost of sales	(46,861)	—	—	—	(46,861)
Gross profit	50,702	—	(363)	—	50,339
Other income and gains	17,062	(632)	—	—	16,430
Fair value gain on investment properties, net	46,284	—	(20,521)	—	25,763
Fair value loss on equity investments at fair value through profit or loss, net	(75,709)	—	—	—	(75,709)
Gain on the Proposed Disposal	—	—	—	66,759	66,759
Administrative expenses	(71,663)	228	1,861	—	(69,574)
Other operating expenses, net	(17,715)	—	—	—	(17,715)
Finance costs	(36,704)	—	—	—	(36,704)
Share of profits and losses of associates, net	1,807	—	—	—	1,807
LOSS BEFORE TAX	**(85,936)**	**(404)**	**(19,023)**	**66,759**	**(38,604)**
Income tax expense	(7,998)	17	5,130	(33,566)	(36,417)
LOSS FOR THE YEAR	**(93,934)**	**(387)**	**(13,893)**	**33,193**	**(75,021)**
Attributable to:					
— Owners of the Company	(90,967)	(387)	(13,893)	33,193	(72,054)
— Non-controlling interests	(2,967)	—	—	—	(2,967)
	(93,934)	**(387)**	**(13,893)**	**33,193**	**(75,021)**

(4) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group for the year ended 31 March 2023

	The Group for the year ended 31 March 2023	Pro forma adjustments			Unaudited pro forma of the Remaining Group
	Note (a)	Note (g)	Note (h)	Note (i)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LOSS FOR THE YEAR	**(93,934)**	**(387)**	**(13,893)**	**33,193**	**(75,021)**
OTHER COMPREHENSIVE LOSS					
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:					
Exchange differences:					
— Exchange differences on translation of foreign operations	(112,774)	2,438	22,005	(2,045)	(90,376)
— Share of other comprehensive loss of associates, net	(20)	—	—	—	(20)
— Reclassification of cumulative exchange fluctuation reserve of a foreign operation disposed of during the year	(6)	—	—	(3,772)	(3,778)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(112,800)	2,438	22,005	(5,817)	(94,174)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Leasehold land and buildings:					
— Surplus on revaluation	4,107	—	—	—	4,107
— Income tax effect	(529)	—	—	—	(529)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	3,578	—	—	—	3,578
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(109,222)**	**2,438**	**22,005**	**(5,817)**	**(90,596)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(203,156)**	**2,051**	**8,112**	**27,376**	**(165,617)**
Attributable to:					
— Owners of the Company	(199,984)	2,051	8,112	27,376	(162,445)
— Non-controlling interests	(3,172)	—	—	—	(3,172)
	(203,156)	**2,051**	**8,112**	**27,376**	**(165,617)**

(5) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group for the year ended 31 March 2023

	The Group for the year ended 31 March 2023	Pro forma adjustments			Unaudited pro forma of the Remaining Group
	Note (a)	Note (g)	Note (h)	Note (i)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax	(85,936)	(404)	(19,023)	66,759	(38,604)
Adjustments for:					
— Finance costs	36,704	—	—	—	36,704
— Share of profits and losses of associates, net	(1,807)	—	—	—	(1,807)
— Remeasurement loss on investment in an associate for step acquisition	1,984	—	—	—	1,984
— Interest income	(167)	—	—	—	(167)
— Fair value gain on investment properties, net	(46,284)	—	20,521	—	(25,763)
— Dividend income from equity investments at fair value through profit or loss	(1,350)	—	—	—	(1,350)
— Loss on disposal of a subsidiary	2,141	—	—	—	2,141
— Gain on disposal of items of property, plant and equipment	(56)	—	—	—	(56)
— Gain on the Proposed Disposal	—	—	—	(66,759)	(66,759)
— Depreciation of property, plant and equipment	12,702	—	—	—	12,702
— Provision for net realisable value of properties held for sale, net	10,374	—	—	—	10,374
— Reversal of provision for inventories	(389)	—	—	—	(389)
— Deficit from revaluation of property, plant and equipment	1,271	—	—	—	1,271
— Impairment of goodwill	1,683	—	—	—	1,683
— Reversal of impairment of accounts receivable, net	(52)	—	—	—	(52)
— Impairment of other receivables	485	—	—	—	485
— Fair value loss on equity investments at fair value through profit or loss, net	75,709	—	—	—	75,709
	7,012	(404)	1,498	—	8,106
Movement in balances with related parties	(5,796)	—	—	—	(5,796)
Increase in properties held for sale under development and properties held for sale	(6,078)	—	—	—	(6,078)
Decrease in inventories	2,871	—	—	—	2,871
Decrease in accounts receivable	2,459	—	—	—	2,459
Increase in prepayments, deposits and other receivables	(878)	—	—	—	(878)
Decrease in accounts payable	(1,349)	—	—	—	(1,349)
Decrease in other payables	(8,574)	366	—	—	(8,208)
Cash used in operations	(10,333)	(38)	1,498	—	(8,873)
Interest paid	(44,757)	—	—	—	(44,757)
Hong Kong Profits Tax paid	(85)	—	—	—	(85)
Overseas taxes paid	(487)	—	—	—	(487)
Net cash flow used in operating activities	(55,662)	(38)	1,498	—	(54,202)

(5) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group for the year ended 31 March 2023 (continued)

	The Group for the year ended 31 March 2023	Pro forma adjustments			Unaudited pro forma of the Remaining Group
	Note (a)	Note (g)	Note (h)	Note (i)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	167	—	—	—	167
Dividend received from equity investments at fair value through profit or loss	1,350	—	—	—	1,350
Purchases of equity investments at fair value through profit or loss	(3,382)	—	—	—	(3,382)
Purchases of items of property, plant and equipment	(356)	—	—	—	(356)
Acquisition of a subsidiary	(1,753)	—	—	—	(1,753)
Disposal of a subsidiary	(6)	—	—	—	(6)
Proceeds from disposal of items of property, plant and equipment	71	—	—	—	71
Proceeds from the Proposed Disposal	—	—	—	59,412	59,412
Advances to associates, net	(133)	—	—	—	(133)
Investment in an associate	(783)	—	—	—	(783)
Dividend income from associates	5,614	—	—	—	5,614
Net cash flow generated from investing activities	789	—	—	59,412	60,201
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank and other borrowings	329,767	—	—	—	329,767
Repayment of bank and other borrowings	(389,681)	—	—	—	(389,681)
Principal portion of lease liabilities	(30)	—	—	—	(30)
Advance from a related party	51,300	—	—	—	51,300
Contributions to subsidiaries from non-controlling interests	636	—	—	—	636
Proceeds from issue of bonds	33,000	—	—	—	33,000
Net cash flow generated from financing activities	24,992	—	—	—	24,992
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(29,881)	(38)	1,498	59,412	30,991
Cash and cash equivalents at beginning of year	40,170	—	—	—	40,170
Effect of foreign exchange rate change	(1,629)	6	—	—	(1,623)
CASH AND CASH EQUIVALENTS AT END OF YEAR	8,660	(32)	1,498	59,412	69,538
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	24,408	—	1,498	59,500	85,406
Bank overdrafts	(15,868)	—	—	—	(15,868)
Cash and cash equivalents of a disposal group classified as held for sale	120	(32)	—	(88)	—
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS	8,660	(32)	1,498	59,412	69,538

(6) Notes to the Unaudited Pro Forma Financial Information of the Remaining Group:

a. The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2023 and the audited consolidated statement of profit or loss, audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows for the year then ended as set out in the published 2023 Annual Report.

b. The consideration is represented by (i) the consideration of RMB385,000,000 (equivalent to HK$423,500,000); (ii) directly attributable transaction costs of HK$39,500,000 expected to be incurred in connection with the Proposed Disposal; and (iii) the effect of discounting the consideration of HK$33,180,000 based on the expected dates of receipt from 2nd Instalment to Final Instalment of the consideration discounted by the Group's cost of capital of 5.54% (together, the "**Net Consideration**").

	HK$'000
Consideration for the Proposed Disposal	
— Earnest Money	11,000
— 1st Instalment	99,000
— 2nd Instalment	132,000
— 3rd Instalment	121,000
— 4th Instalment	55,000
— Final Instalment	5,500
	423,500
Less:	
— Effect of discounting the consideration	(33,180)
— Estimated transaction costs	(39,500)
	350,820

Earnest Money of RMB10,000,000 (equivalent to approximately HK$11,000,000) has been received on 20 October 2022 and included in "other payables and accruals" of the Group's consolidated financial statements as at 31 March 2023.

1st Instalment of RMB90,000,000 (equivalent to approximately HK$99,000,000) in cash will be paid to the Company within 15 days before the commencement of works on the transfer of equity interest in accordance with the equity transfer agreement.

2nd Instalment of RMB120,000,000 (equivalent to approximately HK$132,000,000) in cash will be paid to the Company before 31 October 2024.

3rd Instalment of RMB110,000,000 (equivalent to approximately HK$121,000,000) in cash to be paid to the Company before 31 October 2025.

4th Instalment of RMB50,000,000 (equivalent to approximately HK$55,000,000) in cash will be paid to the Company before 31 October 2026.

Final Instalment, being the remaining balance of the total consideration, of RMB5,000,000 (equivalent to approximately HK$5,500,000) will be paid to the Company before 31 October 2027.

The adjustment represents professional expenses directly attributable to the Proposed Disposal which would be recognised in the Remaining Group's consolidated statement of profit or loss upon completion of the Proposed Disposal. The adjustment is not expected to have a continuing effect on the Group.

c. The statement of financial position, statement of profit or loss, statement of profit or loss and other comprehensive income and statement of cash flows of the Target Company 1 and unaudited profit or loss statement of the Target Property 2 are translated into HK$ at the approximate exchange rate of RMB1 to HK$1.14, for illustration purpose only and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

d. The adjustment represents the exclusion of carrying amounts of assets and liabilities of the Target Company 1 with the net impact of HK$38,071,000 as at 31 March 2023, assuming the disposal of the Target Company 1 had taken place on 31 March 2023, which are extracted from the unaudited financial information of the Target Company 1 as set forth in Appendix II to this circular.

e. The adjustment represents the exclusion of the carrying amounts of the Target Property 2 of HK$300,680,000, set off against the corresponding deferred tax of HK$57,538,000, as at 31 March 2023, assuming the disposal of the Target Property 2 had taken place on 31 March 2023.

f. These adjustments represent (i) the Net Consideration of HK$350,820,000 as mentioned in note (b) above; (ii) the estimated relevant tax of HK$33,566,000; and (iii) the estimated gain on the Proposed Disposal as if the Proposed Disposal had taken place on 31 March 2023.

The adjustment represents the estimated net impact of gain on the Proposed Disposal as if it had taken place on 31 March 2023, which is calculated as follows:

	HK$'000
Net Consideration for the Proposed Disposal (Note (b))	350,820
Less:	
— Target Company 1	
Derecognition of the net assets of the Target Company 1 as at 31 March 2023*	(38,071)
Release of exchange fluctuation reserve of the Target Company 1*	1,334
— Target Property 2	
Derecognition of the carrying amount of the Target Property 2 as at 31 March 2023	(300,680)
Release of exchange fluctuation reserve of the Target Property 2	(19,960)
Derecognition of the deferred tax arising from revaluation of the Target Property 2	57,538
Estimated gain on the Proposed Disposal before tax as if it had taken place on 31 March 2023	50,981
Less: Estimated income tax in relation to the gain on the Proposed Disposal#	(33,566)
Estimated gain on the Proposed Disposal after tax as if it had taken place on 31 March 2023	17,415

* The amounts are extracted from the unaudited financial information of the Target Company 1 as set out in Appendix II to this circular.

\# The adjustment represents estimated capital gain taxes of HK$33,566,000 levied by the PRC tax bureau on the gain on the Proposed Disposal calculated by the Directors based on a tax rate of 10%, subject to the tax clearance from the PRC tax bureau.

Actual gain on the Proposed Disposal depends on actual proceeds from the Proposed Disposal, actual amount of net assets of the Target Company 1, actual amount of the Target Property 2 and its deferred tax impact, actual amount of exchange fluctuation reserve of the Target Company 1 and the Target Property 2 to be released to profit or loss on the completion date. Therefore, the actual gain on the Proposed Disposal shall be different to the amount calculated in the above table.

The estimated net proceeds arising on the Proposed Disposal in which the Group expects to receive the consideration within one year are calculated as follows:

	HK$'000
Cash to be received	423,500
Less: Consideration receivable for the Proposed Disposal before the effect of discounting	(313,500)
Less: Estimated transaction costs (Note (b))	(39,500)
Less: Earnest money received	(11,000)
	59,500

g. The adjustment represents the exclusion of operating results, reserves and cash flows of the Target Company 1 for the year ended 31 March 2023, assuming the Proposed Disposal 1 had taken place on 1 April 2022, which are extracted from the unaudited financial information of the Target Company 1 as set forth in Appendix II to this circular.

h. The adjustment represents the exclusion of the operating results of the Target Property 2, together with its corresponding deferred tax and exchange reserve, for the year ended 31 March 2023, assuming the Proposed Disposal 2 had taken place on 1 April 2022, which are extracted from the unaudited profit or loss statement of the Target Property 2 as set forth in Appendix II to this circular.

i. These adjustments represent (i) the Net Consideration of HK$350,820,000 as mentioned in note (b) above; (ii) the estimated relevant tax of HK$33,566,000; and (iii) the estimated gain on the Proposed Disposal as if the Proposed Disposal had taken place on 1 April 2022.

The adjustment represents the estimated net impact of gain of the Proposed Disposal as if it had taken place on 1 April 2022, which is calculated as follows:

	HK$'000
Net Consideration for the Proposed Disposal (Note (b))	350,820
Less:	
— Target Company 1	
Derecognition of the net assets of the Target Company 1 as at 1 April 2022*	(40,122)
Release of exchange fluctuation reserve of the Target Company 1*	3,772
— Target Property 2	
Derecognition of the carrying amount of the Target Property 2 as at 1 April 2022	(302,164)
Release of exchange fluctuation reserve of the Target Property 2	2,045
Derecognition of the deferred tax arising from revaluation of the Target Property 2	52,408
Estimated gain on the Proposed Disposal before tax as if it had taken place on 1 April 2022	66,759
Less: Estimated income tax in relation to the gain on the Proposed Disposal#	(33,566)
Estimated gain on the Proposed Disposal after tax as if it had taken place on 1 April 2022	33,193

* The amounts are extracted from the unaudited financial information of the Target Company 1 as set out in Appendix II to this circular.

\# The adjustment represents estimated capital gain taxes of HK$33,566,000 levied by the PRC tax bureau on the gain on the Proposed Disposal calculated by the Directors based on a tax rate of 10%, subject to the tax clearance from the PRC tax bureau.

Actual gain on the Proposed Disposal depends on actual proceeds from the Proposed Disposal, actual amount of net assets of the Target Company 1, actual amount of the Target Property 2 and its deferred tax impact, actual amount of exchange fluctuation reserve of the Target Company 1 and the Target Property 2 to be released to profit or loss on the completion date. Therefore, the actual gain on the Proposed Disposal shall be different to the amount calculated in the above table.

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

The following is the text of a report received from the reporting accountants of the Company, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Remaining Group.

bakertilly
天職國際

Independent Reporting Accountants' Assurance Report on the Compilation of Unaudited Pro Forma Financial Information

To the Directors of Deson Development International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Deson Development International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2023, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2023 and the related notes set out on pages III-1 to III-11 of the circular dated 31 August 2023 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed disposal of the entire equity interests in Honour Advance Real Estate (Hainan) Limited and a commercial property located in Asia Villas City Square held for the benefit of the Group by Hainan Fruitful Business Management Limited (the "**Proposed Disposal**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in pages III-1 to III-11 of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Disposal on the Group's financial position as at 31 March 2023 as if the Proposed Disposal had taken place on 31 March 2023, and the Group's financial performance and cash flows for the year ended 31 March 2023 as if the Proposed Disposal had taken place on 1 April 2022. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial position as at 31 March 2023 and the Group's financial performance and cash flows for the year ended 31 March 2023, on which an audited report have been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Management

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

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

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

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

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

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

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

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

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

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 31 August 2023
Tong Wai Hang
Practising certificate number P06231

The following is the text of a letter, summary of values and property valuation report 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 properties owned by the Group as at 31 July 2023.

Peak Vision
Appraisals Limited

Unit 702, 7th Floor
Capital Centre
No. 151 Gloucester Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

31 August 2023

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

Dear Sirs,

In accordance with the instruction from Deson Development International Holdings Limited (the "**Company**") for us to value the properties owned by the Company and its subsidiaries (together, the "**Group**") located 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 such properties as at 31 July 2023 (the "**Valuation Date**") for public documentation purpose.

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigations 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 is defined 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".

As instructed by the Group, we have performed our valuation based on the special assumption that the renovation of the properties has not yet commenced, and the state of the properties has remained unchanged since 20 October 2022 up to the Valuation Date (For details, please refer to Note i) of property valuation report).

In valuing the property no. 1 which is held for investment and the property no. 2 which is held for sale by the Group, we have adopted the direct comparison method (the "**Direct Comparison Method**") assuming each of the properties is capable of being sold in its existing state and by making reference to comparable sales evidence as available in the relevant markets or, wherever appropriate, the investment method (the "**Investment Method**") by taking into account the current rents passing and the reversionary income potential of each of the properties.

We have valued the properties on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the value if the properties are to be offered for sale at the same time as a portfolio.

Our valuation has been made on the assumption that the owner sells the properties on the open market in their existing states without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the properties. No forced sale situation in any manner is assumed in our valuation. In addition, we have not considered any option or right of pre-emption which would concern or affect the sales of the properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have been provided by the Group with copies of documents in relation to the titles to the properties which are located in the PRC. We have not examined the original documents to verify the 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 Group and the legal opinions prepared by Zhong Lun Law Firm, the Group's legal adviser on the PRC law (the "**PRC Legal Adviser**"), regarding the titles to the properties.

The properties were inspected on 29 April 2023 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 properties. 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 are 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 properties 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 property valuation report 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 Group and the PRC Legal Adviser regarding the titles to the properties and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, tenancy agreements, site and floor areas and all other relevant materials regarding the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group 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. The management of the Company has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

In valuing the properties, 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, The HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors and the International Valuation Standards (Effective 31 January 2022) published by the International Valuation Standards Council, where applicable, and under generally accepted valuation procedures and practices.

Peak Vision Appraisals Limited has previously been involved in the valuation of the properties and Mr. Nick C. L. Kung has been the signatory to the valuation of property No. 1 since 2015 and property No. 2 since 2019. The proportion of total fees payable by the Group during the preceding year relative to the total fee income of Peak Vision Appraisals Limited is minimal. For the subject valuation, Peak Vision Appraisals Limited does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of 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 no material connection or involvement with the Group, the properties, or the values reported herein and that we are in a position to provide an objective and unbiased valuation.

Our Summary of Values and property valuation report are enclosed herewith.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.), MCIREA,
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.

SUMMARY OF VALUES

	Property	Capital value as at 31 July 2023 but the state as at 20 October 2022
1	Asian Villas Building Materials Mall, No. 1 Haoyuan Road, Nanhai Avenue, Longhua District, Haikou City, Hainan Province, the PRC	RMB262,800,000
2	Retail unit nos. 1 to 8 of block 3, retail unit nos. 9 to 25 of block 2 and retail unit nos. 27 to 34 of block 1 of Zhongyang Jie of Asian Villas (South Zone), No. 1 Haoyuan Road, Nanhai Avenue, Longhua District, Haikou City, Hainan Province, the PRC	RMB105,400,000
	Total:	**RMB368,200,000**

Property Valuation Report

	Property	Description and tenure	Particulars of occupancy	Capital value as at 31 July 2023 but the state as at 20 October 2022
1	Asian Villas Building Materials Mall, No. 1 Haoyuan Road, Nanhai Avenue, Longhua District, Haikou City, Hainan Province, the PRC	The property, Asian Villas Building Materials Mall, comprises a 3-storey commercial building with a 1-storey basement erected on a parcel of land with a site area of approximately 13,891.20 sq.m. completed in about 2006. The property is located on the northwestern corner of the junction of Haoyuan Road and Nanhai Avenue, Longhua District in Haikou City. Other developments nearby are mainly residential and commercial composite developments.	As advised by the Group, as at the Valuation Date, the property was under renovation.	RMB262,800,000 *(See Note i) below)*

The property has a total gross floor area of approximately 29,326.01 sq.m. Details of the gross floor area breakdown are listed as follows:

Level	Approximate Gross Floor Area *(sq.m.)*
Rooftop	215.64
Level 3	5,328.37
Level 2	6,336.52
Level 1	6,631.89
Basement Level 1	10,813.59
Total:	29,326.01

As advised by the Group, the total lettable area for the Levels 1 to 3 and portion of Basement Level 1 of the property is approximately 16,603.38 sq.m. The remaining portion of Basement Level 1 is used as car parking.

The land use rights of the property have been granted for a term expiring on 12 May 2068 for commercial and residential uses.

Notes:

i) As advised by the Group, as at 20 October 2022, the property was vacant and pending renovation. Subsequent to the execution of the letter of intent ("**Letter of Intent**") entered into with Haikou Longhua City Investment Holding Co., Ltd. (the "**Purchaser**") on 20 October 2022, the Company granted access of the property to the Purchaser for the purpose of renovation. However, details of the renovation including the renovation plan, estimated total renovation costs and renovation expenses incurred by the Purchaser up to the Valuation Date for the property are unavailable.

Consequently, we are unable to incorporate the value of the renovation works completed up to the Valuation Date. For the purpose of inclusion the valuation report in this circular and as instructed by the Group, we have conducted our valuation based on the special assumption that the renovation of the property has not yet commenced, and the state of the property has remained unchanged since 20 October 2022 up to the Valuation Date.

Considering the absence of renovation related information and the fact that renovation expenses were not incurred by the Company, we find such assumption to be appropriate, fair and reasonable.

ii) According to Foreign-invested Enterprise Change of Registration Notice No. (Qiong Shi Jian) Wai Zi Bian Zhun Zi (2019) Nian Di 22 issued by Hainan Province Administration for Market Regulation on 5 September 2019, approval was granted for the company to change its name from Hainan Fruitful Real Estate Development Co., Ltd. to Hainan Fruitful Business Management Ltd.

iii) Pursuant to the State-owned Land Use Rights Certificate No. Haikou Shi Guo Yong (Ji) Zi Di S0530 dated 11 May 2000 issued by the People's Government of Haikou City, the land use rights of the property and its surrounding area with a site area of approximately 61,284.56 sq.m., have been granted to Hainan Fruitful Real Estate Development Co., Ltd. (currently renamed as Hainan Fruitful Business Management Ltd. ("**Hainan Fruitful**"), for a term expiring on 12 May 2068 for commercial and residential uses.

iv) Pursuant to the Building and State-owned Land Use Rights Division Transfer Certificate No. 201112294 dated 8 December 2011 issued by Haikou Land Resources Bureau, the land use rights of the property, with a site area of approximately 13,891.20 sq.m., are apportioned from the land use rights with the total site area of approximately 61,284.56 sq.m. described in *Note iii)* above.

v) Pursuant to the Building Ownership Certificate No. Haikou Shi Fang Quan Zheng Hai Fang Zi Di HK157673 dated 2 February 2007 issued by Haikou City Real Estate Administration Bureau, the building ownership of the property, with a total gross floor area of approximately 29,326.01 sq.m., is vested in Hainan Fruitful.

vi) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, *inter alia*, the following information which has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:

(a) Hainan Fruitful is legally established corporate entities enjoying corporate property rights, specifically including real estate property rights and other assets acquired in accordance with the law;

(b) Hainan Fruitful is legally entitled to the exclusive real estate rights of the property (including the rights to occupy, utilize, generate income and dispose of the property);

(c) The property is not subject to mortgage and seizure; and

(d) The corporate property rights and the real estate rights of the property of Hainan Fruitful is protected by law.

vii) In valuing the property, we have adopted the Direct Comparison Method. Direct Comparison Method provides an indication of value by comparing the asset with identical or similar assets for which price information is available. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted unit rate of the property.

viii) In our valuation, we have adopted an average market unit rate of approximately RMB10,250 per sq.m. for commercial portion and approximately RMB160,000 for car parking space of the property.

In our valuation, we have made reference to sale comparables in the vicinity, i.e. sale comparables in Longhua District or within 20 minutes driving distance from the property. These sale comparables are properties with the same uses and transacted within 2 months* from the Valuation Date, we have utilized comparables transacted within 2 months from the Valuation Date, which are deemed sufficient, appropriate, and reasonable to derive a reliable opinion of value of the property as at the Valuation Date. The market comparables are about RMB8,940 to RMB29,130 per sq.m. for commercial properties and about RMB120,000 to RMB250,000 for car parking space. The unit rate adopted by us are consistent with the said sale comparable references after due adjustments. Due adjustments to those sale comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

In our valuation, the sale comparables adopted for each of commercial portion and car parking spaces are exhaustive based on the selection criteria. We consider these comparables are located in the vicinity and are of the same uses, thus are representative and comparable to the property. The details are as follows:

Commercial portion

Comparable	**1**	**2**	**3**
Property Address	No. 50, Zhongshan South Road, Qiongshan District	No. 1, Zijing Road, Longhua District	No. 118, Haiken Road, Longhua District
Level	Level 1 to level 3	Level 1 to level 3	Level 1 to level 4
Use	Commercial	Commercial	Commercial
Approximate Gross Floor Area (sq.m.)	4,700	10,000	11,011
Transaction Price (RMB)	42,000,000	200,000,000	165,000,000
Unit Rate (RMB/sq.m.)	8,936	20,000	14,984
Date	21 July 2023	16 July 2023	1 July 2023
Adjustments			
Time	Similar with the property	Similar with the property	Similar with the property
Location	Inferior to the property	Superior to the property	Superior to the property
Size	Superior to the property	Superior to the property	Superior to the property
Floor, layout and condition	Inferior to the property	Superior to the property	Superior to the property

* Generally, comparables that are closer to the Valuation Date offer a more accurate reflection of market conditions as at the Valuation Date, and the time frame of comparables depends on the availability of relevant comparables. Typically, we incorporate more than 3 comparables in our valuations whenever possible. In the course of our valuation, given that transactions occurred within 2 months from the Valuation Date are sufficient to derive an objective and reliable opinion of value, we deemed 2-month time frame to be reasonable.

Comparable	**4**	**5**	**6**	**7**
Property Address	No. 119 Haiken Road, Longhua District	Nos. 21–22 Jinlian Road, Longhua District	No. 5–1 Zhengyi Road, Longhua District	No. 10 Jinlian Road, Longhua District
Level	Level 1	Level 1	Level 1	Level 1
Use	Commercial	Commercial	Commercial	Commercial
Approximate Gross Floor Area (sq.m.)	165	127	151	93
Transaction Price (RMB)	2,980,000	3,700,000	2,480,000	1,800,000
Unit Rate (RMB/sq.m.)	18,061	29,134	16,424	19,355
Date	20 June 2023	14 July 2023	17 June 2023	13 July 2023
Adjustments				
Time	Similar with the property	Similar with the property	Similar with the property	Similar with the property
Location	Superior to the property	Superior to the property	Superior to the property	Superior to the property
Size	Superior to the property	Superior to the property	Superior to the property	Superior to the property
Floor, layout and condition	Similar with the property	Superior to the property	Similar with the property	Similar with the property

Comparable	**8**	**9**	**10**	**11**
Property Address	Nanbin Huating, Ruxian Street, Longhua District	No. 16–2, Guomao Road, Longhua District	No. 1 Jinmao West Road, Longhua District	No. 32 Guomao Road, Longhua District
Level	Level 1	Level 1	Level 2	Level 2
Use	Commercial	Commercial	Commercial	Commercial
Approximate Gross Floor Area (sq.m.)	125	310	1,247	2,067
Transaction Price (RMB)	3,600,000	8,200,000	14,090,000	25,000,000
Unit Rate (RMB/sq.m.)	28,888	26,428	11,295	12,095
Date	23 July 2023	12 June 2023	27 July 2023	28 July 2023
Adjustments				
Time	Similar with the property	Similar with the property	Similar with the property	Similar with the property
Location	Superior to the property	Superior to the property	Superior to the property	Superior to the property
Size	Superior to the property	Superior to the property	Superior to the property	Superior to the property
Floor, layout and condition	Superior to the property	Superior to the property	Similar with the property	Similar with the property

Car parking spaces

Comparable	**1**	**2**	**3**	**4**
Property Address	Car parking space of Block 6 of Evergrande Bund, No. 2 Duhai Road, Longhua District	Car parking space of Qinyuan Lingxiu, No. 94 Haixiu Middle Road, Longhua District	Car parking space of Asian Villas (North Zone), Haoyuan Road, Longhua District	Car parking space of Phase 2 of Guoxing Lan Shui Wan, Meilan District
Level	Basement level 1	Basement level 1	Level 2	Basement level 1
Transaction Price (RMB)	150,000	150,000	250,000	120,000
Date	1 June 2023	2 July 2023	9 July 2023	27 July 2023
Adjustments				
Time	Similar with the property	Similar with the property	Similar with the property	Similar with the property
Location	Similar with the property	Superior to the property	Similar with the property	Inferior with the property
Floor and condition	Similar with the property	Similar with the property	Superior to the property	Similar with the property

ix) The reconciliation between the capital value of the property as at 31 March 2023 and the capital value of the property as at 31 July 2023 has been detailed below:

Capital value as at 31 March 2023	:	RMB262,500,000
Change in capital value	:	RMB300,000
Capital value as at 31 July 2023	:	RMB262,800,000

Property Valuation Report

	Property	Description and tenure	Particulars of occupancy	Capital value as at 31 July 2023 but the state as at 20 October 2022
2	Retail unit nos. 1 to 8 of block 3, retail unit nos. 9 to 25 of block 2 and retail unit nos. 27 to 34 of block 1 of Zhongyang Jie of Asian Villas (South Zone), No. 1 Haoyuan Road, Nanhai Avenue, Longhua District, Haikou City, Hainan Province, the PRC	Asian Villas (South Zone) (the "**Development**") is a comprehensive residential/commercial development erected on an irregular-shaped site with a registered site area of approximately 61,284.56 sq.m. It is bounded by Nanhai Avenue, Haoyuan Road and Jinlian Road within Longhua District in Haikou City. Other developments nearby are mainly residential and commercial composite developments. The property comprises 33 retail units of 3 blocks of 3-storey commercial buildings of Zhongyang Jie of the Development, having a total gross floor area of approximately 8,057.43 sq.m. completed in about 2006. Details of the gross floor area breakdown are set out in *Notes v)* and *vi)* below. The land use rights of the property have been granted for a term expiring on 12 May 2068 for commercial and residential uses.	As advised by the Group, as at the Valuation Date, retail unit no. 21 of block 2 of the property with a gross floor area of approximately 2,416.89 sq.m. was subject to a tenancy agreement for a term of 20 years from 31 October 2007 to 31 October 2027 at a fixed monthly rental of RMB19,167. Other than the fixed rental, retail unit no. 21 is also subject to turnover rent of 10% of annual gross revenue in excess of RMB2,300,000 for the lease year. The remaining portion of the property was under renovation.	RMB105,400,000 *(See Note i) below)*

Notes:

i) As advised by the Group, as at 20 October 2022, retail unit no. 21 of block 2 of the property with a gross floor area of approximately 2,416.89 sq.m. was subject to a tenancy and the remaining portion of the property was vacant and pending renovation. Subsequent to the execution of Letter of Intent entered into with the Purchaser on 20 October 2022, the Company granted access of the property to the Purchaser for the purpose of renovation. However, details of the renovation including the renovation plan, estimated total renovation costs and renovation expenses incurred by the Purchaser up to the Valuation Date for the property are unavailable.

Consequently, we are unable to incorporate the value of the renovation works completed up to the Valuation Date. For the purpose of inclusion the valuation report in this circular and as instructed by the Group, we have conducted our valuation based on the special assumption that the renovation of the property has not yet commenced, and the state of the property has remained unchanged since 20 October 2022 up to the Valuation Date.

Considering the absence of renovation related information and the fact that renovation expenses were not incurred by the Company, we find such assumption to be appropriate, fair and reasonable.

ii) According to Foreign-invested Enterprise Change of Registration Notice No. (Qiong Shi Jian) Wai Zi Bian Zhun Zi (2019) Nian Di 22 issued by Hainan Province Administration for Market Regulation on 5 September 2019, approval was granted for the company to change its name from Hainan Fruitful Real Estate Development Co., Ltd. to Hainan Fruitful Business Management Ltd.

iii) Pursuant to the State-owned Land Use Rights Certificate No. Haikou Shi Guo Yong (Ji) Zi Di S0530 dated 11 May 2000 issued by the People's Government of Haikou City, the land use rights of the Development with a site area of approximately 61,284.56 sq.m., have been granted to Hainan Fruitful, for a term expiring on 12 May 2068 for commercial and residential uses.

iv) Pursuant to 2 Building and State-owned Land Use Rights Division Transfer Certificates all dated 8 December 2011 issued by Haikou City Land and Resources Bureau, the land use rights of retail unit nos. 33 and 34 of block 1 of Zhongyang Jie of the property, with a total site area of approximately 172.40 sq.m. are apportioned from the land use rights of the Development with a site area of approximately 61,284.56 sq.m. as described in *Note iii)* above. Details of the certificates are summarized as follows:

No.	**Land Use**	**Approximate Apportioned Site Area** *(sq.m.)*	**Retail Unit No.**	**Approximate Gross Floor Area** *(sq.m.)*
201112210	Commercial and residential uses	79.76	33	168.38
201112211	Commercial and residential uses	92.64	34	195.57
	Total:	**172.40**		**363.95**

v) Pursuant to 2 Building Ownership Certificates issued by Haikou City Housing and Urban Construction Bureau, the building ownership of retail unit nos. 33 and 34 of block 1 of Zhongyang Jie of the property with a total gross floor area of approximately 363.95 sq.m., is vested in Hainan Fruitful for commercial and residential uses. Details of the certificates are summarized as follows:

Certificate No.	**Register Date**	**Block No.**	**Retail Unit No.**	**No. of Storey**	**Approximate Gross Floor Area** *(sq.m.)*
Haiku Shi Fang Quan Zheng Hai Fang Zi Di HK353800	14 August 2012	1	34	3	195.57
Haiku Shi Fang Quan Zheng Hai Fang Zi Di HK353801	14 August 2012	1	33	3	168.38
				Total:	**363.95**

vi) Pursuant to 31 Real Estate Title Certificates issued by Haikou City Land and Resources Bureau, the building ownership of retail unit nos. 1 to 8 of block 3, retail unit nos. 9 to 25 of block 2 and retail unit nos. 27 to 32 of block 1 of the property, having a total gross floor area of approximately 7,693.48 sq.m. is vested in Honour Advance Real Estate (Hainan) Limited* ("**Honour Advance**") and the land use rights of the property, having a total site area of approximately 3,644.47 sq.m. (apportioned from the land use rights of the Development with a total site area of approximately 61,285.08 sq.m.) have been granted to Honour Advance for terms expiring on 12 May 2068 for commercial and residential uses. Details of the certificates are summarized as follows:

Certificate No.	Issue Date	Block No.	Retail Unit No.	No. of Storey	Approximate Apportioned Site Area *(sq.m.)*	Approximate Gross Floor Area *(sq.m.)*
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085197	25 July 2018	3	1	3	92.64	195.57
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085193	25 July 2018	3	2	3	79.76	168.38
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085191	25 July 2018	3	3	3	83.10	175.42
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085189	25 July 2018	3	4	3	83.10	175.42
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085187	25 July 2018	3	5	3	83.10	175.42
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085185	25 July 2018	3	6	3	83.10	175.42
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085183	25 July 2018	3	7	3	83.10	175.42
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085180	25 July 2018	3	8	3	83.10	175.42
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085178	25 July 2018	2	9	3	96.57	203.86
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085177	25 July 2018	2	10	3	96.57	203.86
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085054	25 July 2018	2	11	3	88.96	187.80
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085041	25 July 2018	2	12	3	72.46	152.97
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085036	25 July 2018	2	13	3	68.63	144.88

* *For identification purpose only*

Certificate No.	Issue Date	Block No.	Retail Unit No.	No. of Storey	Approximate Apportioned Site Area (sq.m.)	Approximate Gross Floor Area (sq.m.)
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085026	25 July 2018	2	14	3	68.63	144.88
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085022	25 July 2018	2	15	3	68.63	144.88
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085015	25 July 2018	2	16	3	68.63	144.88
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085005	25 July 2018	2	17	3	68.63	144.88
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084996	25 July 2018	2	18	3	68.63	144.88
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084988	25 July 2018	2	19	3	70.19	148.17
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084976	25 July 2018	2	20	3	70.19	148.17
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084963	25 July 2018	2	21	3	1,144.90	2,416.89
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084932	25 July 2018	2	22	3	21.80	46.02
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0085616	26 July 2018	2	23	3	147.24	310.82
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084951	25 July 2018	2	24	3	122.65	258.92
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084944	25 July 2018	2	25	3	131.56	277.73
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084889	25 July 2018	1	27	3	83.10	175.42
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084892	25 July 2018	1	28	3	83.10	175.42
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084894	25 July 2018	1	29	3	83.10	175.42
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084897	25 July 2018	1	30	3	83.10	175.42

Certificate No.	Issue Date	Block No.	Retail Unit No.	No. of Storey	Approximate Apportioned Site Area (sq.m.)	Approximate Gross Floor Area (sq.m.)
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084900	25 July 2018	1	31	3	83.10	175.42
Qiong (2018) Haikou Shi Bu Dong Chan Quan Di 0084902	25 July 2018	1	32	3	83.10	175.42
				Total:	**3,644.47**	**7,693.48**

vii) For your reference purpose, the capital value of the retail units of the property as at the Valuation Date are as follows:

Retail Unit	Capital Value
Retail unit nos. 1 to 8 of block 3, retail unit nos. 9 to 25 of block 2 and retail unit nos. 27 to 32 of block 1	RMB100,240,000
Retail unit nos. 33 and 34 of block 1	RMB5,160,000
Total:	**RMB105,400,000**

viii) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, *inter alia*, the following information which has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:

(a) Hainan Fruitful and Honour Advance are legally established corporate entities enjoying corporate property rights, specifically including real estate property rights and other assets acquired in accordance with the law;

(b) Hainan Fruitful and Honour Advance enjoys the real estate rights of in accordance with the law (including the right to occupy, use, receive income from and dispose) and this right has exclusivity and confrontation effect;

(c) The property is not subject to mortgage and seizure; and

(d) The corporate property rights and the real estate rights of the property of Hainan Fruitful and Honour Advance are protected by law.

ix) In valuing the retail unit no. 21 of block 2 of the property, we have adopted the Investment Method by capitalising net rental income on a fully leased basis having regard to the current passing rental income from existing tenancy and potential future reversionary income at the market level. In this valuation method, the total rental income is divided into a current passing rental income over the existing lease term (the term income) and a potential future reversionary rental income over the residual land use term (the reversionary income). The term value involves the capitalisation of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease over the residual land use rights term and is capitalised on a fully leased basis. It is then discounted back to the Valuation Date.

In valuing the remaining portion of the property, we have adopted the Direct Comparison Method. Direct Comparison Method provides an indication of value by comparing the asset with identical or similar assets for which price information is available. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted unit rate of the remaining portion of the property.

x) In our valuation, we have adopted an average market unit rate of approximately RMB13,080 per sq.m. for the property.

In our valuation, we have made reference to sale comparables in the vicinity, i.e. sale comparables in Longhua District or within 20 minutes driving distance from the property. As the property comprises retail units only, these sale comparables are properties with the same uses and transacted within 2 months* from the Valuation Date, we have utilized comparables transacted within 2 months from the Valuation Date, which are deemed sufficient, appropriate, and reasonable to derive a reliable opinion of value of the property as at the Valuation Date. The market comparables are about RMB8,940 to RMB29,130 per sq.m. The unit rate adopted by us are consistent with the said sale comparable references after due adjustments. Due adjustments to those sale comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

In our valuation, the sale comparables adopted for the property are exhaustive based on the selection criteria. We consider these comparables are located in the vicinity and are of the same uses, thus are representative and comparable to the property. The details are as follows:

Sale Comparables

Comparable	**1**	**2**	**3**	**4**
Property Address	No. 50, Zhongshan South Road, Qiongshan District	No. 56, Longkun South Road, Longhua District	No. 61, Nansha Road, Longhua District	No. 119 Haiken Road, Longhua District
Level	Level 1 to level 3	Level 1 to level 3	Level 1 to level 3	Level 1
Use	Commercial	Commercial	Commercial	Commercial
Approximate Gross Floor Area (sq.m.)	4,700	620	485	165
Transaction Price (RMB)	42,000,000	12,500,000	8,600,000	2,980,000
Unit Rate (RMB/sq.m.)	8,936	20,161	17,732	18,061
Date	21 July 2023	24 July 2023	13 July 2023	20 June 2023
Adjustments				
Time	Similar with the property	Similar with the property	Similar with the property	Similar with the property
Location	Inferior to the property	Superior to the property	Superior to the property	Superior to the property
Size	Inferior to the property	Inferior to the property	Similar with the property	Similar with the property
Floor, layout and condition	Inferior to the property	Superior to the property	Superior to the property	Similar with the property

* Generally, comparables that are closer to the Valuation Date offer a more accurate reflection of market conditions as at the Valuation Date, and the time frame of comparables depends on the availability of relevant comparables. Typically, we incorporate more than 3 comparables in our valuations whenever possible. In the course of our valuation, given that transactions occurred within 2 months from the Valuation Date are sufficient to derive an objective and reliable opinion of value, we deemed 2-month time frame to be reasonable.

Comparable	5	6	7	8
Property Address	Nos. 21–22 Jinlian Road, Longhua District	No. 5–1 Zhengyi Road, Longhua District	No. 10 Jinlian Road, Longhua District	Nanbin Huating, Ruxian Street, Longhua District
Level	Level 1	Level 1	Level 1	Level 1
Use	Commercial	Commercial	Commercial	Commercial
Approximate Gross Floor Area (sq.m.)	127	151	93	125
Transaction Price (RMB)	3,700,000	2,480,000	1,800,000	3,600,000
Unit Rate (RMB/sq.m.)	29,134	16,424	19,355	28,888
Date	14 July 2023	17 June 2023	13 July 2023	23 July 2023
Adjustments				
Time	Similar with the property	Similar with the property	Similar with the property	Similar with the property
Location	Superior to the property	Superior to the property	Superior to the property	Superior to the property
Size	Similar with the property	Similar with the property	Similar with the property	Similar with the property
Floor, layout and condition	Superior to the property	Similar with the property	Similar with the property	Superior to the property

Comparable	9	10
Property Address	No. 16–2, Guomao Road, Longhua District	No. 1 Jinmao West Road, Longhua District
Level	Level 1	Level 2
Use	Commercial	Commercial
Approximate Gross Floor Area (sq.m.)	310	1,247
Transaction Price (RMB)	8,200,000	14,090,000
Unit Rate (RMB/sq.m.)	26,428	11,295
Date	12 June 2023	27 July 2023
Adjustments		
Time	Similar with the property	Similar with the property
Location	Superior to the property	Superior to the property
Size	Similar with the property	Inferior to the property
Floor, layout and condition	Superior to the property	Similar with the property

xi) The reconciliation between the capital value of the property as at 31 March 2023 and the capital value of the property as at 31 July 2023 has been detailed below:

Capital value as at 31 March 2023	:	RMB104,860,000
Change in capital value	:	RMB540,000
Capital value as at 31 July 2023	:	RMB105,400,000

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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date is as follows:

Authorised		*HK$*
5,000,000,000		500,000,000
Issued and to be issued, fully paid or credited as fully paid		
1,466,820,600	Shares in issue as at the Latest Practicable Date	146,682,060

As at the Latest Practicable Date, the Company has no other securities convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company and associated corporations

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

(i) Interests in Shares and underlying Shares

	Number of shares held, capacity and nature of interest			
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Mr. Tjia Boen Sien ("**Mr. Tjia**") *(Note 1)*	129,002,400 (L)	524,902,500 (L)	653,904,900	44.58%
Mr. Wang Jing Ning	39,644,100 (L)	—	39,644,100	2.70%
Mr. Tjia Wai Yip, William	3,600,000 (L)	—	3,600,000	0.25%
Dr. Ho Chung Tai, Raymond	727,500 (L)	—	727,500	0.05%
Ir Siu Man Po	1,580,000 (L)	—	1,580,000	0.11%

Note:

(L) denotes long position.

1. Sparta Assets Limited ("**Sparta Assets**"), a company incorporated in the BVI and wholly-owned by Mr. Tjia, is beneficially interested in 524,902,500 Shares of the Company. Accordingly, Mr. Tjia is deemed to be interested in 524,902,500 Shares of the Company held by Sparta Assets by virtue of the SFO.

(ii) Long positions in ordinary shares of Sparta Assets

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

* *Sparta Assets is beneficially interested in 524,902,500 Shares of the Company.*

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

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

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

Long position:

Name	**Capacity and nature of interest**	**Number of ordinary/ underlying ordinary Shares held**	**Percentage of the Company's issued share capital**
Sparta Assets *(Note 1)*	Beneficial owner	524,902,500	35.79%
Granda Overseas Holding Co., Ltd ("**Granda**") *(Note 2)*	Beneficial owner	260,548,110	17.76%
Mr. Chen Huofa	Interests of controlled corporation	260,548,110	17.76%

Notes:

1 Sparta Assets is beneficially interested in 524,902,500 Shares of the Company.

2 Granda, a company incorporated in the BVI and wholly owned by Mr. Chen Huofa, is beneficially interested in 260,548,110 Shares of the Company. Accordingly, Mr. Chen Huofa is deemed to be interested in 260,548,110 Shares of the Company held by Granda by virtue of the SFO.

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.

4. 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).

5. 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.

Save as disclosed in the paragraph headed "Continuing Connected Transactions — Leases of office premises in Hong Kong" at page 48 of the Annual Report 2023 of the Company, 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 2023, being the date to which the latest published audited financial statements of the Group were made up.

6. 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.

7. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, there were no litigation or claims of material importance pending or threatened against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERTS AND EXPERTS' INTERESTS

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualification
Baker Tilly Hong Kong Limited	Certified Public Accountants
Peak Vision Appraisals Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts:

(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 2023 (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, each of the above experts 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.

9. MATERIAL CONTRACTS

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

(a) the underwriting agreement dated 1 November 2021 among (i) the Company, (ii) Koala Securities Limited and (iii) Yellow River Securities Limited regarding the right issues of up to 281,421,900 rights shares in the Company at HK$0.10 per rights share payable in full on application in the proportion of one (1) rights share for every two (2) shares held on the record date;

(b) the placing agreement dated 25 May 2022 between the Company and Astrum Capital Management Limited regarding the placing of 2-year 10% coupon unlisted and unsecured bonds in an aggregate principal amount of HK$20,000,000 by the Company;

(c) the subscription agreement dated 11 August 2022 between Latest Ventures Limited and the Company regarding the subscription 7% coupon unsecured bonds in an aggregate principal amount of HK$20,000,000 by Latest Ventures Limited;

(d) the Letter of Intent in relation to the Proposed Disposal for the aggregate consideration of RMB385.0 million, payable in tranches; and

(e) the Equity Transfer Agreement.

10. 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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

(c) The principal share registrars and transfer office of the Company in Bermuda are Ocorian Management (Bermuda) Limited at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The branch share registrars and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.deson.com) for a period of 14 days from the date of this circular:

(a) the material contracts referred to in the paragraph headed "9. Material contracts" in this appendix;

(b) the annual reports of the Company for each of the three financial years ended 31 March 2023;

(c) the report on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(d) the valuation report of Peak Vision Appraisals Limited, the text of which is set out in Appendix IV to this circular;

(e) the letter of consent referred to in paragraph headed "8. Qualification and consent of experts and experts' interests" in this appendix; and

(f) this circular.

Deson Development International Holdings Limited
迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**SGM**") 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, 21 September 2023 at 11:30 a.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT:**

(a) the disposal by Honour Advance Limited and Fanning Properties Limited (the "**Vendors**") of the entire equity interests in 江裕置業(海南)有限公司 (Honour Advance Real Estate (Hainan) Limited*) and 海南富迪商業管理有限公司 (Hainan Fruitful Business Management Ltd*) (the "**Target Companies**") to 海口市龍華區城市投資控股有限公司 (Haikou Longhua City Investment Holding Co., Ltd.*) (the "**Purchaser**") at a total consideration of RMB385.0 million (equivalent to approximately HK$423.5 million pursuant to the equity transfer agreement dated 7 August 2023 entered into between the Vendors, the Purchaser, and the Target Companies (the "**Equity Transfer Agreement**", a copy of which has been produced to the meeting and marked "A" and signed by the chairman of the meeting for identification purposes) and all transactions contemplated under the Equity Transfer Agreement (the "**Proposed Disposal**") be and are hereby approved and ratified; and

(b) the directors of the Company be and are hereby authorised to do all such acts and/or things and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the Equity Transfer Agreement they may in their absolute discretion consider necessary, desirable or expedient to give effect to the transactions under the Equity Transfer Agreement and the implementation of all transactions contemplated thereby

* *For identification purpose only*

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 Chairman

Hong Kong, 31 August 2023

Registered office:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
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 SGM 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 SGM. 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 SGM.

2. A form of proxy for use at the SGM 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event on or before 11:30 a.m. on Tuesday, 19 September 2023, being not less than 48 hours before the time appointed for the holding of the SGM 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 SGM 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 SGM, 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 resolution put to vote at the SGM 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 SGM, the SGM will be postponed. The Company will post an announcement on the websites of the Company at www.deson.com and the Stock Exchange at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled the SGM.

7. The register of members of the Company will be closed from Monday, 18 September 2023 to Thursday, 21 September 2023, both days inclusive. During this period, no transfer of Shares will be registered. In order to attend and vote at the SGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 15 September 2023.