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## **MAJOR TRANSACTION**

### **FORMATION OF A JOINT VENTURE AND DISPOSAL OF A SUBSIDIARY**

#### **THE JOINT VENTURE**

The Board is pleased to announce that on 30 September 2016, DVL, being a wholly-owned subsidiary of the Company, has entered into the Shareholders' Agreement with Hoverjet and the Joint Venture to establish a joint venture for the purpose of the Disposal. The Joint Venture will be the holding company of the Target Group. The Target Company is a company incorporated in the BVI, which in turn owns all the equity interests in Huasheng that owns the Target Property, which is known as the Starway Parkview South Station Hotel located adjacent to the Shanghai Botanical Gardens and near the perimeter of the Middle Ring Road in Shanghai, the PRC. It is intended that the Target Property will be converted into and operated as a service apartment after the Completion.

Pursuant to the Shareholders' Agreement, on the date of the Shareholders' Agreement, Hoverjet will transfer 30 JV Shares, representing 30% of the issued and paid-up share capital of the Joint Venture to DVL for the consideration of US\$30. Upon completion of such a transfer of the JV Shares, the Joint Venture will be owned as to 70% by Hoverjet and 30% by DVL. On the same date, each of Hoverjet and DVL has granted interest-free shareholders' loans in the aggregate sum of approximately US\$2.5 million (equivalent to approximately HK\$19.2 million) in proportion of their shareholdings on such terms and conditions as set out in the shareholders' loan agreements. The terms and conditions of the shareholders' loans were determined after arm's length negotiation between the parties to the Shareholders' Agreement with reference to the initial capital requirement of the Joint Venture, which will be used to pay the Deposit for the Disposal that is due to DVL under the Agreement.

The Joint Venture will be accounted for as an associate of the Company and its results, assets and liabilities will not be consolidated in the accounts of the Company. Furthermore, as provided in the Shareholders' Agreement, DVL has granted the Call Option to Hoverjet to require DVL to sell all the remaining JV Shares held by DVL, which option is exercisable at any time during the period of 5 years from the Completion Date. The consideration for the Option Shares shall be as determined in accordance with the valuation of the Option Shares by an auditor to be appointed, with reference to, amongst others, the market valuation of the real property assets of the Target Group, other tangible assets and related liabilities, provided always that the consideration determined shall in any event be not less than the Investment Costs of the Option Shares.

\* For identification purpose only

## **THE DISPOSAL**

On 30 September 2016, DVL, as the vendor, the Company, as the guarantor, and the Joint Venture, as the purchaser, entered into the Agreement, pursuant to which, DVL has conditionally agreed to sell and the Joint Venture has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, for the Consideration.

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

## **IMPLICATION OF THE LISTING RULES**

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

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Call Option exceed 5% but are less than 25%, the granting of the Call Option (the exercise of which is not at the discretion of DVL) constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but does not require approval of the Shareholders under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

A circular containing, among other things, further information in respect of the Shareholders' Agreement, the Agreement and the Transactions and other information as required by the Listing Rules, together with the notice convening the special general meeting and the proxy form in respect of the special general meeting is expected to be despatched to the Shareholders on or before 24 October 2016.

**As Completion is subject to the fulfilment of a number of conditions precedent which are detailed in this announcement, the Transactions may or may not proceed. Shareholders and potential investors are therefore reminded to exercise cautious when dealing in the Shares of the Company.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 18 May 2016 relating to the Memorandum of Understanding in relation to the Disposal and the Joint Venture.

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

The principal terms of the Shareholders' Agreement and the Agreement are summarised below:

## **SUMMARY OF THE PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT**

Date: 30 September 2016

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

As at the date of this announcement, the Joint Venture is a wholly-owned subsidiary of Hoverjet. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Hoverjet and its ultimate beneficial owner(s) are Independent Third Parties.

### **Business objectives of the Joint Venture**

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

## **Shareholding structure and acquisition of the JV Shares**

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

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

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

## **Restrictions on transfer**

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

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

## **Financing**

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

## **Call Option**

Furthermore, as provided in the Shareholders' Agreement, DVL has granted the Call Option to Hoverjet to require DVL to sell all the remaining JV Shares held by DVL, which option is exercisable at any time during the period of 5 years from the Completion Date. The consideration for the Option Shares shall be as determined in accordance with the valuation of the Option Shares by an auditor to be appointed, with reference to, amongst others, the market valuation of the real property assets of the Target Group, other tangible assets and related liabilities, provided always that the consideration determined shall in any event be not less than the Investment Costs of the Option Shares.

## **Termination**

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

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

## **SUMMARY OF THE PRINCIPAL TERMS OF THE AGREEMENT**

Date: 30 September 2016

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

As at the date of this announcement, the Joint Venture is a wholly-owned subsidiary of Hoverjet. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Hoverjet and its ultimate beneficial owner(s) are Independent Third Parties. Upon completion of the transfer of the JV Shares pursuant to the Shareholders' Agreement, the Joint Venture will be owned as to 70% by Hoverjet and 30% by DVL.

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

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

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

### **Consideration**

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

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

and

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

or, as an alternative to paragraph (ii),

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

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

(b) the balance sum of US\$ equivalent of approximately RMB48 million (equivalent to approximately HK\$57.6 million) to be satisfied by the Promissory Notes issued on the Completion Date.

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

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

### **The Promissory Notes**

	<b>Promissory Note A</b>	<b>Promissory Note B</b>	<b>Promissory Note C</b>
Issuer:	The Joint Venture	The Joint Venture	The Joint Venture
Principal amount:	US\$ equivalent of approximately RMB2.6 million	US\$ equivalent of approximately RMB2.5 million	US\$ equivalent of approximately RMB42.9 million
Interest:	5.75% per annum	5.75% per annum	6.10% per annum
Maturity date:	12 calendar months after the date of issue	24 calendar months after the date of issue	36 calendar months after the date of issue

**Promissory Note A****Promissory Note B****Promissory Note C**

Repayment:

All payments of interest and principal amount (other than payment by way of conversion) under the Promissory Note A shall be paid in U.S. dollars on the maturity date to a bank account designated by DVL by wire transfer of immediately available funds. All payments shall be applied first to accrued interest, and thereafter to the principal amount. The payment obligations of the Joint Venture under the Promissory Note A shall at all times rank at least pari passu with the claims of all its unsecured and subordinated creditors, except for obligations mandatorily preferred by law applicable to the Joint Venture.

All payments of interest and principal amount (other than payment by way of conversion) under the Promissory Note B shall be paid in U.S. dollars on the maturity date to a bank account designated by DVL by wire transfer of immediately available funds. All payments shall be applied first to accrued interest, and thereafter to the principal amount. The payment obligations of the Joint Venture under the Promissory Note B shall at all times rank at least pari passu with the claims of all its unsecured and subordinated creditors, except for obligations mandatorily preferred by law applicable to the Joint Venture.

All payments of interest and principal amount (other than payment by way of conversion) under the Promissory Note C shall be paid in U.S. dollars on the maturity date to a bank account designated by DVL by wire transfer of immediately available funds. All payments shall be applied first to accrued interest, and thereafter to the principal amount. The payment obligations of the Joint Venture under the Promissory Note C shall at all times rank at least pari passu with the claims of all its unsecured and subordinated creditors, except for obligations mandatorily preferred by law applicable to the Joint Venture.

**Promissory Note A****Promissory Note B****Promissory Note C**

Early Repayment:

The Joint Venture may redeem all or part of the Promissory Note A at any time prior to the maturity date at its principal amount outstanding together with all interest accrued and unpaid on the principal so redeemed up to the date of full repayment by giving not less than 14 days notice of early repayment to DVL.

The Joint Venture may redeem all or part of the Promissory Note B at any time prior to the maturity date at its principal amount outstanding together with all interest accrued and unpaid on the principal so redeemed up to the date of full repayment by giving not less than 14 days notice of early repayment to DVL.

The Joint Venture may redeem all or part of the Promissory Note C at any time prior to the maturity date at its principal amount outstanding together with all interest accrued and unpaid on the principal so redeemed up to the date of full repayment by giving not less than 14 days notice of early repayment to DVL.

Transferability:

With the prior written consent of the Joint Venture, provided that such consent shall not be unreasonably withheld, DVL may assign, transfer, endorse or in any other way alienate any of its rights under the Promissory Note A whether in whole or in part.

With the prior written consent of the Joint Venture, provided that such consent shall not be unreasonably withheld, DVL may assign, transfer, endorse or in any other way alienate any of its rights under the Promissory Note B whether in whole or in part.

With the prior written consent of the Joint Venture, provided that such consent shall not be unreasonably withheld, DVL may assign, transfer, endorse or in any other way alienate any of its rights under the Promissory Note C whether in whole or in part.

**Conditions Precedent of the Agreement**

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

- (i) the shareholders' approval of the Company approving the entering into by the Company and DVL of the Agreement, the Shareholders' Agreement and the transactions contemplated thereunder having been obtained in accordance with the requirements of the Listing Rules or any other applicable laws or regulations, if so required;

- (ii) the written-off of certain motor vehicles from the books of Huasheng and the motor vehicles be removed from the asset register of Huasheng, with the licence registrations to the motor vehicles to remain with Huasheng, without any claims against or liabilities to the Target Group, or such claims or liabilities have been fully settled and discharged;
- (iii) the ownership of a certain residential apartment of Huasheng is being transferred to such third party, without any claims against or liabilities to the Target Group, or such claims or liabilities have been fully settled and discharged;
- (iv) other than the intercompany payables and receivables between the Target Company and Huasheng, all intercompany payables and receivables have been fully discharged, written off, waived or repaid in the manner that is satisfactory to the Joint Venture, with evidence of such discharge, write-off, waiver and/or repayment, provided by DVL to the Joint Venture's satisfaction; and
- (v) no event or circumstance shall have occurred in respect of or in connection with the affairs of the Target Company, Huasheng and/or the Target Property which has or will have a material adverse effect.

If the Conditions Precedent were not fulfilled by the Long Stop Date (other than due to a breach of DVL), the Agreement shall thereupon become terminated and cease to be of effect and DVL shall return, or procure the return of, the Deposit (without interest) to the Joint Venture forthwith and thereafter, none of the parties shall have any rights against any other party except for (where applicable) liability for any antecedent breach of its obligations under the Agreement. If the Conditions Precedent were not fulfilled by the Long Stop Date as a result of a breach of DVL, the Agreement shall thereupon become terminated and cease to be of effect and DVL shall return, or procure the return of, the Deposit (without interest) to the Joint Venture forthwith and shall pay to the Joint Venture in immediately available funds and in US\$ to such bank account designated by the Joint Venture an amount equivalent to the Deposit amount as a genuine and reasonable pre-estimate of the losses that the Joint Venture will incur or suffer as a result thereof, and thereafter, none of the parties shall have any rights against any other party except for (where applicable) liability for any antecedent breach of its obligations under the Agreement.

## **Completion**

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

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

## **Tax indemnity by DVL**

DVL, the Company and the Joint Venture further agree that Huasheng shall be responsible to settle all outstanding taxation payable by it in relation to Huasheng and the Target Property, including but not limited to corporate income tax, land appreciation tax, and other forms of tax, local surcharge,

levy, impost, contribution, duty and liability in the nature of taxation and all related withholdings or deductions of any nature (including, for the avoidance of doubt, social insurance contribution liabilities in the PRC) and corporate income tax arising from the Disposal which is charged to DVL for tax periods ending on the Completion Date up to a maximum amount of RMB 25 million. In the event that the outstanding taxation for tax periods ending on the Completion Date payable by Huasheng exceeds RMB25 million, DVL shall indemnify the Joint Venture for such amount of taxation in excess of RMB 25 million. For the avoidance of doubt, if solely as a result of a sale of the owned property (other than any sale of certain underground carpark) by Huasheng that Huasheng's liability for taxation (including but not limited to corporate income tax, land appreciation tax, and other forms of tax, local surcharge, levy, impost, contribution, duty and liability in the nature of taxation and all related withholdings or deductions of any nature (including, for the avoidance of doubt, social insurance contribution liabilities in the PRC) for tax periods before the Completion Date is increased, then such additional amount of taxation liability shall be borne solely by Huasheng and DVL shall not be required to indemnify the Joint Venture for such additional amount of taxation liability.

## **INFORMATION OF THE TARGET GROUP**

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

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

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

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

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

## **FINANCIAL EFFECT OF THE DISPOSAL**

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

Shareholders should note that the exact amount of the gain on the Disposal to be recorded in the consolidated statement of profit or loss of the Group for the year ending 31 March 2017 is subject to audit, and will be calculated based on the net asset value of the Target Group and the value of the Call Option as at Completion and net of any incidental expenses and therefore may be varied from the figures provided above.

## **USE OF PROCEEDS FROM THE DISPOSAL**

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

## **INFORMATION OF HOVERJET**

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

## **INFORMATION OF THE GROUP**

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

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Board considers that the Disposal will bring in a strategic shareholder with strong real estate management background which will help to improve the long term growth potential of the Target Property, which will be beneficial to the Group and Shareholders as a whole. The Target Property is a mature asset, which whilst providing a stable rental income, does not have the growth in terms of earnings expected by the Board. The Company wishes to realise the full value of the Target Property. The Disposal enables the Group to recycle capital into future investment opportunities. The Directors are of the view that the Disposal will benefit the Group by realising its investment and also strengthen the liquidity and overall financial position of the Group. On the other hand, the Joint Venture enables the

Group to continue to have a share of profit from the long term growth potential of the Target Property. The Call Option under the Shareholders' Agreement will provide an exit opportunity of the Company's investment in the Joint Venture.

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

## **IMPLICATION OF THE LISTING RULES**

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

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Call Option exceed 5% but are less than 25%, the granting of the Call Option (the exercise of which is not at the discretion of DVL) constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but does not require approval of the Shareholders under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to be abstained from voting to approve the resolution in respect of the Shareholders' Agreement, the Agreement, the Transactions and the transactions contemplated thereunder at the special general meeting.

A circular containing, among other things, further information in respect of the Shareholders' Agreement, the Agreement and the Transactions and other information as required by the Listing Rules, together with the notice convening the special general meeting and the proxy form in respect of the special general meeting is expected to be despatched to the Shareholders on or before 24 October 2016.

**As Completion is subject to the fulfilment of a number of conditions precedent which are detailed in this announcement, the Transactions may or may not proceed. Shareholders and potential investors are therefore reminded to exercise cautious when dealing in the Shares of the Company.**

## **DEFINITIONS**

<b>“Agreement”</b>	the sale and purchase agreement dated 30 September 2016 entered into between DVL, the Company and the Joint Venture in relation to the Disposal;
<b>“Balance of Consideration”</b>	the Consideration less the Deposit, being the sum of US\$ equivalent of approximately RMB65.6 million (equivalent to approximately HK\$78.8 million);
<b>“Board”</b>	the board of Directors;
<b>“BVI”</b>	the British Virgin Islands;
<b>“Call Option”</b>	the call option granted to Hoverjet pursuant to the Shareholders’ Agreement exercisable at its discretion to purchase all or part of the Option Shares from DVL at any time during the period of 5 years from the Completion Date;
<b>“Company”</b>	Deson Development International Holdings Limited 迪臣發展國際集團有限公司*, an exempted company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
<b>“Completion”</b>	the completion of the Disposal pursuant to the terms and conditions of the Agreement;
<b>“Completion Date”</b>	the date of Completion;
<b>“Conditions Precedent”</b>	the conditions precedent to the Completion;
<b>“Connected Persons”</b>	has the same meaning ascribed to it under the Listing Rules;
<b>“Consideration”</b>	the consideration in the sum of US\$ equivalent of approximately RMB82.1 million (equivalent to approximately HK\$98.5 million) for the Disposal, subject to adjustments (if any) to be made pursuant to the Agreement;
<b>“Deposit”</b>	the sum of approximately US\$2.5 million (equivalent to approximately HK\$19.2 million) paid by the Joint Venture to DVL on the date of the Agreement as the deposit and part payment towards the Consideration for the Sale Shares;

\* *for identification purpose only*

<b>“Directors”</b>	the director(s) of the Company;
<b>“Disposal”</b>	the proposed disposal of the Sale Shares by DVL to the Joint Venture pursuant to the Agreement;
<b>“DVL”</b>	Deson Ventures Limited, a company incorporated in the BVI and an indirectly wholly-owned subsidiary of the Company;
<b>“Earnest Sum”</b>	a sum of HK\$5,000,000 which has been paid by the Joint Venture to DVL pursuant to the Memorandum of Understanding;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC;
<b>“Hoverjet”</b>	Hoverjet Limited, a company incorporated in the BVI;
<b>“Huasheng”</b>	華勝國際置業開發(上海)有限公司 (Hua Sheng International Real Estate Development (Shanghai) Co., Ltd), a company established under the laws of the PRC;
<b>“HK\$”</b>	Hong Kong dollar, the lawful currency of Hong Kong;
<b>“Independent Third Party(ies)”</b>	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its Connected Persons;
<b>“Investment Cost”</b>	the US\$ sum per JV Share derived from dividing the Consideration finally paid by the Joint Venture under the Agreement (as adjusted pursuant to the Agreement) by 100 JV Shares;
<b>“Joint Venture”</b>	New Leaves Limited, a company incorporated in the BVI with limited liability, which is to be owned as to 70% by Hoverjet and 30% by DVL pursuant to the Shareholders’ Agreement;
<b>“JV Shares”</b>	ordinary shares in the issued share capital of the Joint Venture;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Long Stop Date”</b>	5 January 2017 or such other date as may be agreed by the parties in writing;

<b>“Memorandum of Understanding”</b>	the Memorandum of Understanding dated 18 May 2016 entered into between the Company, DVL and Hoverjet, as supplemented by the supplemental letters dated 8 June 2016, 15 July 2016, 15 August 2016 and 15 September 2016;
<b>“Option Shares”</b>	means the JV Shares held by DVL at the date of the exercise of the Call Option;
<b>“PRC”</b>	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
<b>“Promissory Notes”</b>	collectively referring to Promissory Note A, Promissory Note B and Promissory Note C;
<b>“Promissory Note A”</b>	a 12-month promissory note with principal amount of US\$ equivalent of approximately RMB2.6 million bearing interest at 5.75% per annum to be executed and issued by the Joint Venture in favour of DVL or its nominee at Completion Date;
<b>“Promissory Note B”</b>	a 24-month promissory note with principal amount of US\$ equivalent of approximately RMB2.5 million bearing interest at 5.75% per annum to be executed and issued by the Joint Venture in favour of DVL or its nominee at Completion Date;
<b>“Promissory Note C”</b>	a 36-month promissory note with principal amount of US\$ equivalent of approximately RMB42.9 million bearing interest at 6.10% per annum to be executed and issued by the Joint Venture in favour of DVL or its nominee at Completion Date;
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“Sale Shares”</b>	the 1,170,000 shares of US\$10.00 each, fully paid-up and representing the entire issued share capital of the Target Company;
<b>“Share(s)”</b>	ordinary shares in the issued share capital of the Company;
<b>“Shareholder(s)”</b>	holder(s) of the share(s) of the Company;
<b>“Shareholders’ Agreement”</b>	the shareholders’ agreement dated 30 September 2016 entered into between Hoverjet, DVL and the Joint Venture relating to the management of the Joint Venture’s business;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;

<b>“Target Company”</b>	Yew Siang Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company and the legal and beneficial owner of all the registered capital of Huasheng;
<b>“Target Group”</b>	the Target Company and its subsidiary, namely Huasheng and each of the Target Company and Huasheng is referred to herein as a “Target Group Company” and collectively as “Target Group Companies”;
<b>“Target Property”</b>	the property, which is known as the Starway Parkview South Station Hotel (formerly known as Shanghai Parkview Business hotel) located at Nos. 206, 208, 218, 220, 222, No. 1-3, 5-12, 15-23, 25, 26 of Lane 228 Bai Se Road, adjacent to the Shanghai Botanical Garden and near the perimeter of the Middle Ring Road, Shanghai Municipality, the PRC, including all of the fit-outs, equipment and facilities therein and 6 underground car park lots Nos. 3, 4, 22, 70, 78 and 79 therein, and which will be operated as a service apartment;
<b>“Transactions”</b>	collectively, the Joint Venture, the Call Option and the Disposal; and
<b>“%”</b>	per cent.

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

Hong Kong, 30 September 2016

*As at the date of this announcement, the executive Directors of the Company are Mr. Lu Quanzhang, Mr. Tjia Boen Sien, Mr. Wang Jing Ning and Mr. Tjia Wai Yip, William, the independent non-executive Directors of the Company are Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau.*