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Deson Development International Holdings Limited

迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

**DISCLOSEABLE TRANSACTION–
SUBSCRIPTION OF SHARES AND
PROVISION OF THE SHAREHOLDER’S LOAN TOGETHER
WITH THE FORMATION OF A JOINT VENTURE COMPANY**

**THE SUBSCRIPTION, PROVISION OF THE SHAREHOLDER’S LOAN AND THE
FORMATION OF THE JV COMPANY**

The Board is pleased to announce that on 15 October 2018, the Subsidiary, a non wholly-owned subsidiary of the Company, has entered into the Subscription Agreement with the JV Company pursuant to which the Subsidiary has conditionally agreed to subscribe for the Subscription Shares, representing 6% of the enlarged issued share capital of the JV Company at the Consideration of US\$900,000 (equivalent to approximately HK\$7.0 million). On the same date, the Subsidiary, the JV Company and SVIL have entered into the Shareholders’ Agreement governing the affairs of the JV Company and the provision of the Shareholder’s Loan of up to HK\$62,980,000, which will take effect on the completion date of the Subscription.

The JV Company is a company incorporated in the BVI, which is an investment holding company to hold directly a company incorporated in Hong Kong that is engaged in the business of investment holding, property investment and/or redevelopment in Hong Kong and which in turn holds eight other wholly owned subsidiaries as at the date of this announcement.

IMPLICATIONS UNDER 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 Subscription and the provision of the Shareholder’s Loan in aggregate are more than 5% but less than 25%, the Subscription and the Shareholder’s Loan in aggregate constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purpose only

THE SUBSCRIPTION, PROVISION OF THE SHAREHOLDER'S LOAN AND THE FORMATION OF THE JV COMPANY

Reference is made to the announcement of the Company dated 20 September 2018 where the Board announced that on 20 September 2018, the Subsidiary has entered into the Advance Agreement with the JV Company in relation to the provision of the Advance to the JV Company. Under the Advance Agreement, subject to the fulfilment of the Capitalisation Condition, the Advance shall be converted into share capital and shareholder's loan of the JV Company.

On 15 October 2018, the Subsidiary, a non wholly-owned subsidiary of the Company, has entered into the Subscription Agreement with the JV Company pursuant to which the Subsidiary has conditionally agreed to subscribe for the Subscription Shares, representing 6% of the enlarged issued share capital of the JV Company at the Consideration of US\$900,000 (equivalent to approximately HK\$7.0 million). On the same date, the Subsidiary, the JV Company and SVIL entered into the Shareholders' Agreement governing the affairs of the JV Company and the provision of the Shareholder's Loan of up to HK\$62,980,000, which will take effect on the completion date of the Subscription.

The JV Company is a company incorporated in the BVI, which is an investment holding company to hold directly a company incorporated in Hong Kong that is engaged in the business of investment holding, property investment and/or redevelopment in Hong Kong and which in turn holds eight other wholly owned subsidiaries as at the date of this announcement.

THE SUBSCRIPTION AGREEMENT

The major terms of the Subscription Agreement are set out below.

Date : 15 October 2018

Parties : (1) the Subsidiary; and
(2) the JV Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the JV Company and its ultimate beneficial owner is an Independent Third Party and is not connected with the Group.

Subscription Shares : The Subscription Shares, representing 6% of the enlarged issued share capital of the JV Company.

Consideration : US\$900,000 (equivalent to approximately HK\$7.0 million)

The consideration is determined with reference to the nominal value of the enlarged issued share capital of the JV Company.

The parties acknowledge that the Subsidiary has made the Advance to the JV Company prior to the Subscription Agreement, US\$900,000 (equivalent to approximately HK\$7.0 million) of which shall be used to set off the Consideration in full.

Condition precedent : Completion of the Subscription shall be subject to and conditional upon the fulfilment of the Capitalisation Condition.

Completion : 9 November 2018 or such other date the parties agree in writing.

Subject matter

Subject to the terms and conditions of the Subscription Agreement, the Subsidiary has conditionally agreed to subscribe for the Subscription Shares at the Consideration and the JV Company shall issue and allot the Subscription Shares credited as fully paid at completion of the Subscription.

If the condition precedent is not fulfilled by 9 November 2018 or such other date the parties agree in writing, the Subscription Agreement shall thereupon become terminated and cease to be of effect and the JV Company shall return, or procure the return of, the Advance (without interest) to the Subsidiary 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 Subscription Agreement, including (without limiting the generality of the foregoing).

The investment in the JV Company will be classified as available-for-sale investment of the Group.

On the same date, the Subsidiary, the JV Company and SVIL have entered into the Shareholders' Agreement governing the affairs of the JV Company and the provision of the Shareholder's Loan of up to HK\$62,980,000, which will take effect on the completion date of the Subscription Agreement.

THE SHAREHOLDERS' AGREEMENT

The major terms of the Shareholders' Agreement are set out below.

Date : 15 October 2018

Parties : (1) the Subsidiary;
(2) SVIL, an Independent Third Party; and
(3) the JV Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the JV Company, SVIL and their ultimate beneficial owner is an Independent Third Party and is not connected with the Group.

Effective date : Completion date of the Subscription or such other date the parties agree in writing.

Business objectives of the JV Company Group

The JV Company is a company incorporated in the BVI, which is an investment holding company to hold directly a company incorporated in Hong Kong that is engaged in the business of investment holding, property investment and/or redevelopment in Hong Kong and which in turn holds eight other wholly owned subsidiaries as at the date of this announcement.

Finance of the JV Company

SVIL and the Subsidiary agree to each make available a maximum contribution to the JV Company of approximately HK\$1,100 million and HK\$70 million respectively in various instalments in such amounts in proportion of their shareholding on such dates as from time to time to be determined by the board of directors of the JV Company for the purpose of financing the business of the JV Company Group and/or the redevelopment project of the JV Company Group. They also acknowledge that the Subsidiary has paid part of its share of contribution through the payment of the Advance under the Advance Agreement. The contribution by the Subsidiary will be classified as and converted into the shareholder's loan of the JV Company.

The remaining contribution of approximately HK\$53 million to be contributed by the Group will be funded by internal resources of the Group and/or borrowing. The amount of the contribution is determined based on the capital needs for the proposed property redevelopment project.

Other rights under the Shareholders' Agreement

The Shareholders' Agreement contains, among others, the following rights:

- (a) the pre-emption rights;
- (b) the right of first refusal;
- (c) tag-along right;
- (d) drag-along right; and
- (e) a list of reserved matters requiring unanimous consent of all shareholders.

Given that the Group only has a minority stake in the JV Company, it will not have any board representation at the board of directors of the JV Company.

INFORMATION ABOUT THE JV COMPANY GROUP

The JV Company is a company incorporated in the BVI and the JV Company Group is principally engaged in the business of investment holding, property investment and/or property redevelopment in Hong Kong.

Set out below is the financial information of the JV Company for the period ended 31 March 2017 and the year ended 31 March 2018:

	For the period from 28 November 2016 (date of incorporation) to 31 March 2017	For the year ended 31 March 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation	20	2
Net loss after taxation	20	2

As at 31 March 2018, the unaudited liabilities of the JV Company were approximately HK\$22,000.

INFORMATION ABOUT SVIL

SVIL is a company incorporated in the BVI with limited liability and it is engaged in the business of investment holding and property development.

INFORMATION ABOUT THE GROUP

The Group is principally engaged in (i) property development and investment; and (ii) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AGREEMENT, THE PROVISION OF THE SHAREHOLDER'S LOAN AND THE FORMATION OF THE JV COMPANY

As disclosed in the announcement of the Company dated 20 September 2018, the purpose of the Advance is for partial payment for the Subsidiary's proposed investment in the JV Company in the future to be capitalised partially into share capital and shareholder's loan if the Capitalisation Condition is met.

The terms and conditions of the Subscription Agreement and the Shareholders' Agreement are negotiated on an arm's length basis among the Subsidiary, SVIL and the JV Company with reference to the normal prevailing commercial practice. The Directors (including the independent non-executive Directors) consider that the Subscription Agreement and the Shareholders' Agreement are on normal commercial terms. Taking into account the expected return to be generated from the proposed property development project through the investment in the JV Company, the Directors consider that the terms of the Subscription Agreement and the Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER 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 Subscription and the provision of the Shareholder's Loan in aggregate are more than 5% but less than 25%, the Subscription and the Shareholder's Loan in aggregate constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Advance”	the advance in the amount of HK\$16,955,640 made by the Subsidiary to the JV Company in accordance with the Advance Agreement;
“Advance Agreement”	the agreement entered into on 20 September 2018 between the Subsidiary and the JV Company regarding the Advance, as may be amended/supplemented from time to time;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Capitalisation Condition”	the JV Company and the Property Developer acquiring property interest as set out in the Advance Agreement and upon the written request of the Subsidiary;
“Company”	Deson Development International Holdings Limited (stock code: 262), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Consideration”	US\$900,000 (equivalent to approximately HK\$7.0 million), being the consideration for the Subscription;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;

“Independent Third Party(ies)”	a third party independent of and not connected with the Company and its subsidiaries and its connected persons;
“JV Company”	Excel Castle International Limited (卓堡國際有限公司), a company established in the BVI with limited liability;
“JV Company Group”	the JV Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Property Developer”	Excel Castle International (HK) Limited (卓堡國際(香港)有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the JV Company;
“Shareholder(s)”	Shareholder(s) of the Company;
“Shareholder’s Loan”	a sum up to HK\$62,980,000 to be made available by the Subsidiary to the JV Company under the Shareholders’ Agreement;
“Shareholders’ Agreement”	the shareholders’ agreement entered into on 15 October 2018 by and among the Subsidiary, SVIL and the JV Company governing the affairs of the JV Company and the provision of the Shareholder’s Loan;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by the Subsidiary;
“Subscription Agreement”	the subscription agreement entered into on 15 October 2018 between the Subsidiary and the JV Company regarding the Subscription, as may be amended/supplemented from time to time;
“Subscription Shares”	900,000 ordinary shares of the JV Company representing 6% of the enlarged issued share capital of the JV Company;
“Subsidiary”	Universal Focus Developments Limited, a company established in the BVI with limited liability, which is a non wholly-owned subsidiary of the Company;
“SVIL”	Southern Victory Investments Limited (南凱投資有限公司), the existing shareholder of the JV Company and an Independent Third Party; and

“%”

per cent.

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

Hong Kong, 15 October 2018

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.