

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



INSIDE INFORMATION

LETTER OF INTENT IN RELATION TO THE PROPOSED DISPOSAL

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

The Board is pleased to announce that on 20 October 2022, the Vendors, the Purchaser and the Target Companies entered into the Letter of Intent in relation to the Proposed Disposal for the aggregate consideration of RMB385.0 million (equivalent to approximately HK\$442.8 million), payable in tranches.

As at the date of this announcement, (i) Vendor 1 is an indirect wholly-owned subsidiary of the Company, which is the sole shareholder of Target Company 1, and Target Company 1 is the legal and beneficial owner of Target Property 1; and (ii) Vendor 2 is wholly-owned by Wong Ching Chik (王征績), an Independent Third Party, which is the sole shareholder of Target Company 2, and Target Company 2 is the legal owner of Target Property 2. Target Property 2 is held for the benefit of the Group pursuant to a contractual arrangement since 2002. Thus the Group is entitled to the consideration in respect of the Proposed Disposal 2. 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 square metres.

Pursuant to the Letter of Intent and in consideration of the exclusivity granted to the Purchaser, the Purchaser shall pay the Vendors the Earnest Money of RMB10.0 million (equivalent to approximately HK\$11.5 million) within 30 days from the date of the Letter of Intent. Upon Completion, the Group will cease to have any interests in Target Company 1 and the Target Properties.

* for identification purpose only

The detailed terms of the Proposed Disposal are still subject to negotiation and finalisation. As the Proposed Disposal may or may not materialise, Shareholders and potential investors should exercise caution when dealing in the Shares of the Company.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

LETTER OF INTENT

The Board is pleased to announce that on 20 October 2022, the Vendors, the Purchaser and the Target Companies entered into the Letter of Intent in relation to the Proposed Disposal. As at the date of this announcement, (i) Vendor 1 is an indirect wholly-owned subsidiary of the Company, which is the sole shareholder of Target Company 1, and Target Company 1 is the legal and beneficial owner of Target Property 1; and (ii) Vendor 2 is wholly-owned by Wong Ching Chik (王征績), an Independent Third Party, which is the sole shareholder of Target Company 2, and Target Company 2 is the legal owner of Target Property 2. Target Property 2 is held for the benefit of the Group pursuant to a contractual arrangement since 2002. Thus, the Group is entitled to the consideration in respect of the Proposed Disposal 2. 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 square metres.

The Letter of Intent is non-binding in nature and the terms and conditions of the Proposed Disposal are subject to further negotiations between the parties and the execution of formal definitive agreement by the relevant parties.

The principal terms of the Letter of Intent are set out below:

Date

20 October 2022

Parties

- (1) Vendor 1, being an indirect wholly-owned subsidiary of the Company;
- (2) Vendor 2, an Independent Third Party;
- (3) the Purchaser;
- (4) Target Company 1; and
- (5) 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, namely, 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*), are Independent Third Parties.

Assets to be disposed of

Pursuant to the Letter of Intent, (i) Vendor 1 intends to dispose of the entire equity interest in Target Company 1; and (ii) Vendor 2 intends to dispose of the entire equity interest in Target Company 2, free from any encumbrances. Target Company 1 is a company established in the PRC, which is holding Target Property 1, being 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 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 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 29,690 square metres. Target Property 2 is 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. Upon Completion, the Group will cease to have any interests in Target Company 1 and the Target Properties.

Consideration and Earnest Money

It is expected that the aggregate consideration of the Proposed Disposal is expected to be RMB385.0 million (equivalent to approximately HK\$442.8 million) as follows:

- (i) a consideration of RMB73.0 million (equivalent to approximately HK\$84.0 million) in respect of the Proposed Disposal 1; and
- (ii) a consideration of RMB312.0 million (equivalent to approximately HK\$358.8 million) in respect of the Proposed Disposal 2.

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 Proposed Disposal 2.

* *for identification purposes only*

Subject to further negotiations and finalisation of the payment terms in the formal definitive agreement, the Purchaser shall have the right to choose one of the two options to settle the consideration as follows:

- (i) Option 1: the Purchaser shall pay 40% to 50% of the total consideration through its own resources and the remaining balance shall be paid upon obtaining the acquisition financing. The Vendors shall transfer the equity interests in the Target Companies to the Purchaser in proportion of the amount of the total consideration received; or
- (ii) Option 2: the Purchaser shall pay a sum of RMB100.0 million (equivalent to approximately HK\$115.0 million) of the total consideration on or before 31 December 2023 (“**First Tranche**”) and the remaining balance of RMB275.0 million (equivalent to approximately HK\$316.3 million) (after deducting the Earnest Money paid) shall be paid in tranches in any amount within a period of five years from 1 January 2024 to 31 December 2028, free of interest. The Vendors shall transfer 30% of the equity interests in the Target Companies to the Purchaser within 30 days after the signing of the formal definitive agreement in respect of the Proposed Disposal, and the remaining balance of equity interests in the Target Companies within 30 days after payment of the First Tranche by the Purchaser.

Pursuant to the Letter of Intent and in consideration of the exclusivity granted to the Purchaser, the Purchaser shall pay the Vendors the Earnest Money of RMB10.0 million (equivalent to approximately HK\$11.5 million) within 30 days from the date of the Letter of Intent. Upon the execution of the formal definitive agreement in respect of the Proposed Disposal, the Earnest Money shall be applied towards the total consideration for the Proposed Disposal.

Exclusivity

During the Exclusivity Period, the Vendors shall grant the exclusivity in respect of the Target Companies and/or the Target Properties to the Purchaser and shall not enter into any kind of negotiations with any third party. If the Vendors are in breach of such exclusivity, the Vendors shall pay a sum of RMB20.0 million (equivalent to approximately HK\$23.0 million) to the Purchaser as liquidated damages.

After signing the Letter of Intent, the Purchaser shall have the right to commence renovation at the Target Properties. In the event that the Vendors fail to disclose any material adverse event in respect of the Target Companies or in breach of any terms of the Letter of Intent which results in the Purchaser unable to complete the Proposed Disposal, the Vendors shall compensate the Purchaser all expenses incurred in respect of the renovation works. In the event that the Purchaser fails to complete the Proposed Disposal due to any reasons attributable to the Purchaser, the Purchaser shall remove any movable renovation works, and all the other immovable renovation works shall belong to the Vendors free of consideration.

Formal definitive agreement for the Proposed Disposal

If (i) the formal definitive agreement in respect of the Proposed Disposal is not entered into within 10 months after the date of the Letter of Intent; or (ii) the Letter of Intent is terminated by any parties for any reasons whatsoever, the Earnest Money shall be refunded by the Vendors to the Purchaser free of interest. In such event, the Purchaser shall remove any movable renovation works, and the Vendors shall pay for all the other immovable renovation works which the Vendors can continue to use. If such immovable renovation works cannot be used by the Vendors, the Purchaser is not required to reinstate the Target Properties to a position before the renovation works are carried out and the Vendors are entitled to remove such immovable renovation works without reimbursing the Purchaser the costs of renovation works.

Save for the terms in relation to confidentiality, the payment of the Earnest Money, exclusivity and governing laws, the Letter of Intent is not legally binding or enforceable.

REASON FOR AND BENEFITS OF THE PROPOSED DISPOSAL

Asian Villas is one of the development projects developed by the Group in the PRC. 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. The Board considers that the Proposed Disposal will allow the Group to realise its investment in the Target Properties, optimising 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.

GENERAL

The detailed terms of the Proposed Disposal are still subject to negotiation and finalisation. As at the date of this announcement, no formal definitive agreement or legally binding agreement in relation to the Proposed Disposal has been entered into.

It is expected that the Proposed Disposal, if materialised, may constitute a very substantial disposal of the Company under the Listing Rules. Further announcement(s) will be issued by the Company for any update of the status of the Proposed Disposal when appropriate.

The detailed terms of the Proposed Disposal are still subject to negotiation and finalisation. As the Proposed Disposal may or may not materialise, Shareholders and potential investors should exercise caution when dealing in the Shares of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless otherwise requires:

“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 meaning 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
“Company”	Deson Development International Holdings Limited, a company incorporated in Bermuda with limited liabilities, 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\$11.5 million) , being the earnest money of the Proposed Disposal to be paid by the Purchaser to the Vendors pursuant to the Letter of Intent
“Exclusivity Period”	the period commencing from the date of the Letter of Intent until the registration of the transfer of 100% equity interests in the Target Companies
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

* For identification purposes only

“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“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
“PRC”	the People’s Republic of China, which for the purpose of this announcement 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 Letter of Intent
“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 Letter of Intent
“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*), an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* For identification purposes only

“subsidiaries”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“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 at Asian Villas, with a total gross floor area of approximately 7,693 square metres
“Target Property 2”	collectively, (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 29,690 square metres. Target Property 2 is 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 date of the announcement, Vendor 2 owns the entire equity interest in Target Company 2, which is holding Target Property 2 for the benefit of the Group through a contractual arrangement

* For identification purposes only

“Vendors” collectively, Vendor 1 and Vendor 2

“%” per cent

For the purpose of this announcement, RMB has been converted into HK\$ at the rate of RMB1.15 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.

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

Hong Kong, 20 October 2022

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