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## **DESON CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED**

### **迪臣建設國際集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8268)**

### **CONNECTED TRANSACTION FITTING-OUT SERVICES AGREEMENT**

#### **THE FITTING-OUT SERVICES AGREEMENT**

The Board is pleased to announce that, on 23 November 2017, a wholly-owned subsidiary of the Company, Shanghai Deson, entered into the Fitting-out Services Agreement with Huasheng, a wholly-owned subsidiary of Deson Development, pursuant to which Shanghai Deson has agreed to provide fitting-out services to Huasheng in respect of the Property.

The aggregate service fees payable to Shanghai Deson for its provision of fitting-out services and purchase of furniture and fittings under the Fitting-out Services Agreement is approximately RMB8.3 million (equivalent to approximately HK\$9.8 million).

#### **IMPLICATIONS UNDER THE GEM LISTING RULES**

As at the date of this announcement, Deson Development indirectly held approximately 31.18% of the total issued share capital of the Company through DDHL. Accordingly, Deson Development is the controlling shareholder of the Company and therefore a connected person of the Company. As Huasheng is an indirect wholly-owned subsidiary of Deson Development, and Shanghai Deson is an indirect wholly-owned subsidiary of the Company, Huasheng is an associate of Deson Development, and therefore a connected person of the Company.

As one or more of the applicable percentage ratios calculated in accordance with the GEM Listing Rules exceed 0.1% but are less than 25% and the total consideration is less than HK\$10 million, the entering into of the Fitting-out Services Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company which are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

## INTRODUCTION

The Board is pleased to announce that, on 23 November 2017, a wholly-owned subsidiary of the Company, Shanghai Deson, entered into the Fitting-out Services Agreement with Huasheng, a wholly-owned subsidiary of Deson Development, pursuant to which Shanghai Deson has agreed to provide fitting-out services to Huasheng in respect of the Property.

## THE FITTING-OUT SERVICES AGREEMENT

The principal terms of the Fitting-out Services Agreement are as follows:

**Date:** 23 November 2017

**Parties:** (1) Huasheng; and  
(2) Shanghai Deson

**Subject matter:** Pursuant to the Fitting-out Services Agreement, Shanghai Deson shall provide fitting-out services and supply of furniture and fittings with on-site project management in respect of the Property based on the technical specifications and relevant drawings as follows:

- (1) Shanghai Deson shall perform the construction and fitting-out works strictly in accordance with the installation drawings;
- (2) Shanghai Deson shall complete the installation work according to the agreed time schedule;
- (3) Shanghai Deson is in charge of the logistics of the products within the installation location, complete installation work and quality control of the services, and ensure conformity with safety usage standards stipulated by the government and the industry; and
- (4) Shanghai Deson shall provide a five-year after-sale service free of charge for furniture and doors and a one-year after-sale service free of charge for lighting, electronic and electrical products except that the damages are caused by Huasheng.

**Service term:** In accordance with construction schedule and progress.

**Fitting-out service fees:** Pursuant to the Fitting-out Services Agreement, Shanghai Deson shall be entitled to receive from Huasheng the service fee, which shall be inclusive of all expenses associated with the fitting-out works including purchase of materials, wall furnishing, door works, carpentry works and furniture and fittings.

The aggregate service fees payable to Shanghai Deson for its provision of fitting-out services and purchase of furniture and fittings under the Fitting-out Services Agreement is approximately RMB8.3 million (equivalent to approximately HK\$9.8 million).

The amount of the service fees was determined after arm's length negotiation between the parties with reference to (i) the scale, complexity and time schedule for the provision of services, the time expected to be spent by our staff to complete the construction and fitting-out works; (ii) the prevailing market rate for services of similar nature offered in the industry; (iii) the estimated costs of Shanghai Deson to provide the fitting-out services including but not limited to, the cost of the relevant fitting-out materials and any subcontracting fees to be paid, having considered the reputation, quality and reliability of suppliers and contractors when determining whether to source goods from them; and (iv) the historical expenses incurred by Shanghai Deson in respect of such works in similar transactions; and (v) a reasonable mark-up by Shanghai Deson to improve its revenue.

**Payment terms:**

The service fees payable under the Fitting-out Services Agreement shall be paid by Huasheng in the following manner:

- (1) 50% of the service fee, being approximately RMB4.2 million (equivalent to approximately HK\$4.9 million), shall be paid within 30 days after the date of signing of the Fitting-out Services Agreement;
- (2) 30% of the service fee, being approximately RMB2.5 million (equivalent to approximately HK\$2.9 million), shall be paid within 30 days after the project is 80% completed;
- (3) 15% of the service fee, being approximately RMB1.2 million (equivalent to approximately HK\$1.5 million), shall be paid within 30 days after the acceptance of installation; and
- (4) the remaining amount of 5% of the service fee, being approximately RMB0.4 million (equivalent to approximately HK\$0.5 million), shall be paid within 30 days after 24 months of the acceptance of installation.

**REASONS FOR AND BENEFITS OF ENTERING INTO THE FITTING-OUT SERVICES AGREEMENT**

Pursuant to the announcement of Deson Development dated 30 September 2016, a subsidiary of Deson Development had entered into a shareholders' agreement with an Independent Third Party to form a joint venture company, which is held as to 70% and 30% by the joint venture partner and Deson Development, respectively. The joint venture company had on 30 September 2016 entered into a sale and purchase agreement in respect of the Huasheng Acquisition, to acquire the entire interest in the holding company of Huasheng. As at the date of this announcement, Huasheng owned the Property. It was intended that the Property will be converted from a hotel into and operated as a service apartment after completion of the Huasheng Acquisition. As at the date of this announcement, the Huasheng Acquisition was still pending completion.

The joint venture partner considered that, given the expertise of Shanghai Deson in the fitting-out industry and familiarity of the Group in the Property, it would be more efficient to engage Shanghai Deson to provide the fitting-out services in respect of the Property. In the Group's perspective, participation in this project will provide a good track record for the Group for future job references. As Deson Development and the joint venture partner would like to complete the construction and fitting-out works on the Property so that it will be ready to commence operations after the completion of Huasheng Acquisition, the joint venture partner has agreed for Huasheng to commence construction and fitting-out works on the Property prior to completion of the Huasheng Acquisition.

The terms of the Fitting-out Services Agreement were agreed after arm's length negotiations among the parties thereto with reference to the scale, complexity and schedule for completion of the construction and fitting-out works, and a review of the agreed price list for material costs under the Fitting-out Services Agreement and were fair, reasonable and comparable with the prevailing market rates and were no less favourable compared to the terms offered to customers of Shanghai Deson who are Independent Third Parties for the provision of similar services. The Board (including the independent non-executive Directors) considers that the terms of the Fitting-out Services Agreement are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. As stated in the section headed "Implications under the GEM Listing Rules", Mr. Tjia Boen Sien, who is a non-executive Director of the Company and an executive director of Deson Development has abstained from voting on the relevant Board resolutions approving the Fitting-out Services Agreement and the transactions contemplated thereunder.

#### **INFORMATION ON THE GROUP AND THE DESON DEVELOPMENT GROUP**

The Company is an investment holding company. The principal activities of its subsidiaries as at the date of this announcement are: (i) construction business as a main contractor, fitting-out works and the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau and other construction related business; and (ii) investment in securities.

Shanghai Deson is engaged in the construction and fitting-out business in the PRC.

The principal activity of Deson Development is investment holding. The principal activities of the subsidiaries consist of (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 of construction market.

As at the date of this announcement and pending completion of the Huasheng Acquisition by the joint venture partner of Deson Development, Huasheng is a wholly-owned subsidiary of Deson Development. It is a company established in the PRC which owned the Property.

## IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, Deson Development indirectly held approximately 31.18% of the total issued share capital of the Company through DDHL. Accordingly, Deson Development is the controlling shareholder of the Company and therefore a connected person of the Company. As Huasheng is an indirect wholly-owned subsidiary of Deson Development, and Shanghai Deson is an indirect wholly-owned subsidiary of the Company, Huasheng is an associate of Deson Development, and therefore a connected person of the Company.

As one or more of the applicable percentage ratios calculated in accordance with the GEM Listing Rules exceed 0.1% but are less than 25% and the total consideration is less than HK\$10 million, the entering into of the Fitting-out Services Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company which are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

Mr. Tjia Boen Sien, who is a non-executive Director of the Company and an executive director of Deson Development has abstained from voting on the relevant Board resolutions approving the Fitting-out Services Agreement and the transactions contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the Fitting-out Services Agreement and the transactions contemplated thereunder and hence no other Director has abstained from voting on such Board resolutions.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	Deson Construction International Holdings Limited (迪臣建設國際集團有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM
“DDHL”	Deson Development Holdings Limited a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of Deson Development
“Deson Development”	Deson Development International Holdings Limited (迪臣發展國際集團有限公司*) a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange, the controlling shareholder of the Company holding 31.18% of the shares in the Company held through DDHL
“Deson Development Group”	Deson Development and its subsidiaries
“Director(s)”	the director(s) of the Company

\* for identification purpose only

“Fitting-out Services Agreement”	the fitting-out services agreement entered into between Shanghai Deson and Huasheng on 23 November 2017 in respect of the provision of fitting-out services by Shanghai Deson to Huasheng for the Property, which is being renovated into a service apartment
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“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
“Huasheng”	華勝國際置業開發(上海)有限公司(Hua Sheng International Real Estate Development (Shanghai) Co., Ltd.), a wholly foreign owned enterprise established on 18th February, 1993 in the PRC, which is an indirect wholly-owned subsidiary of Deson Development
“Huasheng Acquisition”	the proposed acquisition of all the equity interest in the holding company of Huasheng pursuant to a sale and purchase agreement dated 30 September 2016 between a subsidiary of Deson Development and a joint venture company, which is owned as to 30% by Deson Development and 70% by an Independent Third Party
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“PRC”	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
“Property”	the property, which is known as the Starway Parkview South Station Hotel (formerly known as Shanghai Parkview Business hotel) located at Nos. 206, 208, 218, 220, 222, No. 1–3, 5–12, 15–23, 25, 26 of Lane 228 Bai Se Road, adjacent to the Shanghai Botanical Garden and near the perimeter of the Middle Ring Road, Shanghai Municipality, the PRC, including all of the fit-outs, equipment and facilities therein and 6 underground car park lots Nos. 3, 4, 22, 70, 78 and 79 therein, and which is currently being renovated into a service apartment
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Deson”	上海迪申建築裝潢有限公司 (Shanghai Deson Decoration Engineering Co., Ltd.*), a wholly-owned subsidiary of the Company
“Shareholder(s)”	holders of the Share(s)

\* for identification purpose only

“Stock Exchange”      The Stock Exchange of Hong Kong Limited

“%”      per cent.

By Order of the Board  
**Deson Construction International Holdings Limited**  
**Keung Kwok Cheung**  
*Chief Executive Officer and Executive Director*

Hong Kong, 23 November 2017

*As at the date of this announcement, the Board comprises Mr. Keung Kwok Cheung, Mr. Kwok Koon Keung, Mr. Lo Wing Ling and Mr. Ong Chi King as executive Directors; Mr. Tjia Boen Sien and Mr. Ong King Keung as the non-executive Directors; and Mr. Lee Tho Siem, Mr. Cheung Ting Kee and Mr. Chan Ka Yin as independent non-executive Directors.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 announcement misleading.*

*This announcement will remain on the GEM website at “www.hkgem.com” on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.deson-c.com](http://www.deson-c.com).*