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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)

ANNOUNCEMENT DISCLOSABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ROSY BEAUTY INVESTMENTS LIMITED

THE ACQUISITION

The Board is pleased to announce that on 23 May 2018 (after trading hours), the Purchaser, being an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share, the Sale Debt and the Vendor's Loan for a cash consideration of HK\$10.3 million, subject to adjustments. Completion is scheduled to take place on or before 29 June 2018 or such later date to be agreed by the Vendor and the Purchaser.

The Target Company is the legal and beneficial owner of the Property Holder, which in turn is the legal and beneficial owner of the Property. The Property is half floor of Winner Commercial Building, Nos. 401–403 Lockhart Road, Hong Kong, which will be leased to an Independent Third Party tenant. The Property is a commercial office with a gross floor area of approximately 681 square feet.

IMPLICATION UNDER THE GEM LISTING RULES

As one or more of the relevant percentage ratios calculated pursuant to Rule 19.06 of the GEM Listing Rules in respect of the Acquisition exceeds 5% but are less than 25%, the Acquisition constitutes a disclosable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement requirements under the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 23 May 2018 (after trading hours), the Purchaser, being an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share, the Sale Debt and the Vendor's Loan for a cash consideration of HK\$10.3 million, subject to adjustments.

THE SALE AND PURCHASE AGREEMENT

Set out below are the salient terms of the Sale and Purchase Agreement:

Date: 23 May 2018

Parties: (1) the Vendor; and
(2) the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Vendor is an Independent Third Party of the Company (as defined in the GEM Listing Rules).

The Acquisition

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share, the Sale Debt and the Vendor's Loan.

The Target Company is the legal and beneficial owner of the Property Holder, which in turn is the legal and beneficial owner of the Property. The Property is half floor of Winner Commercial Building, Nos. 401–403 Lockhart Road, Hong Kong, which will be leased to an Independent Third Party tenant. The Property is a commercial office with a gross floor area of approximately 681 square feet. The Property is located in a prime area of Hong Kong, which is near the Wanchai MTR station and Causeway Bay MTR station. It is designated for commercial use and shall be sold to the Purchaser free from encumbrances on an "as-is" basis.

On the Completion Date, a Tenancy Agreement will be entered into in respect of the Property to an Independent Third Party tenant at HK\$26,000 per month for a term of 2 years with an option to renew.

The Sale Debt consists of the whole amount, including principal and interest, owed to the Vendor by the Target Company.

The Vendor's Loan relates to an amount of approximately HK\$10 million owed to the Vendor from the Property Holder which may be adjusted in relation to the Completion Accounts.

The Consideration

The Consideration of HK\$10.3 million will be adjusted according to the book value of certain current assets less the liabilities of the Property Holder as at the Completion Date. The amount of HK\$10.3 million was determined after considering the prevailing market value of the property of similar nature available in the localities as determined by an Independent Third Party valuer and the value of the existing renovation. The Directors believe that the above provides a reasonable basis for its assessment of the value of the Property, the Sale Debt and the Vendor's Loan.

In the event where the Vendor or the Purchaser fails to perform their obligations under the Sale and Purchase Agreement, the other party may terminate the Sale and Purchase Agreement. Further, if it is the Purchaser who fails to perform their obligations under the Sale and Purchase Agreement, the Deposit shall be forfeited as liquidated damages.

The Consideration shall be HK\$10.3 million, which shall be adjusted with reference to the net asset value of the Property Holder, payable as follows:

- (a) a sum of HK\$1.03 million to the Vendor on the date of the Sale and Purchase Agreement; and
- (b) the remaining balance will be settled in full by the Purchaser to the Vendor at Completion.

The Acquisition will be funded by the Group's internal financial resources.

Conditions precedent

Completion is conditional upon the Purchaser being satisfied on or before the Completion Date, amongst others, that:

- (a) the Purchaser has no reasonable objection in its due diligence review on the business, financial, legal and other aspects of the Target Company or the Property Holder;
- (b) the Vendor having a good title to the Sale Share and free from all Encumbrances;
- (c) the Vendor having a good title to the Sale Debt, free from all Encumbrances and the Sale Debt being all outstanding indebtedness or liabilities owing by the Target Company to the Vendor;
- (d) the Vendor having a good title to the Vendor's Loan, free from all Encumbrances and the Vendor's Loan being all outstanding indebtedness or liabilities owing by the Property Holder to the Vendor; and
- (e) the Vendor having given and proved that the Property Holder has a good title to the Property in accordance with the relevant provisions of Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) free from all Encumbrances.

Completion

Completion is expected to take place on 29 June 2018 after the fulfillment of all the conditions precedent or such other date as the Vendor and the Purchaser may mutually agree in writing on which Completion shall take place. Upon Completion, the Vendor will (i) transfer the ownership of the Sale Share; and (ii) assign the title to, rights, interests and benefits attached to the Sale Debt and Vendor's Loan to the Purchaser.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the BVI on 3 June 2015. It is principally engaged in investment holdings.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The unaudited consolidated financial information of the Target Company for the two years ended 31 December 2017 is set out as follows:

	31 December 2016	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	—	—
Net loss before taxation	303	402
Net loss after taxation	303	402

INFORMATION OF THE VENDOR, THE COMPANY, THE GROUP AND THE PURCHASER

The Vendor is an individual residing in Hong Kong, who is the legal and beneficial owner of the Sale Share, the Sale Debt and the Vendor's Loan.

The Company is an investment holding company. The principal activities of the Group 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.

The Purchaser is New Stream Holdings Limited, a company incorporated in the BVI with limited liability on 26 April 2016 and is an indirect wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in (i) the construction business, as a main contractor, fitting-out works, and the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau, and other construction related business; and (ii) investment in securities.

The Property is situated in a prime area in Hong Kong. The Board considers that the Acquisition is a sound investment which could provide potential capital appreciation opportunity and recurring cashflow to the Group.

The Group's existing portfolio consists of commercial properties in Hong Kong. The Acquisition, which involves a commercial property in Hong Kong, will strengthen the Group's portfolio presence.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE GEM LISTING RULES

As one or more of the relevant percentage ratios calculated pursuant to Rule 19.06 of the GEM Listing Rules in respect of the Acquisition exceeds 5% but are less than 25%, the Acquisition constitutes a disclosable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement requirements under the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share, the Sale Debt and Vendor's Loan by the Purchaser
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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 and the issued Shares of which are listed on the GEM (Stock Code: 8268)

“Completion”	completion of the Acquisition
“Completion Accounts”	the consolidated financial statements of the Target Company and the Property Holder covering the period from 1 January 2018 up to the Completion Date prepared in accordance with the same accounting principles used in the preparation of the management accounts at the expenses of the Vendor without recourse to Target Company and the Property Holder
“Completion Date”	29 June 2018 being after fulfillment of all the conditions precedent stipulated in the Sale and Purchase Agreement or such other date as the Vendor and the Purchaser may mutually agree in writing on which Completion shall take place
“Consideration”	the sum of HK\$10.3 million
“Deposit”	the initial deposit in the total amount of HK\$1,030,000 paid by the Purchaser to the Vendor on or before signing of the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“Encumbrance”	any charge, claim, equitable interest, lien, option, pledge, bill of sale, security interest, right of first refusal, or similar restriction of any kind (including any restriction on use, voting, transfer, receipt of income, or exercise of any other ownership interest) or interest under any contract or trust or any other third party interest of whatsoever nature over or in the relevant shares, assets or property; and “encumber” means to create, or permit to be created or subsisting, any of the foregoing
“GEM”	GEM 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 PRC

“Independent Third Party(ies)”	a third person who is independent of the Company and its connected persons and who is not a connected person of the Company
“PRC”	the People’s Republic of China
“Property”	half floor of Winner Commercial Building, Nos. 401–403 Lockhart Road, Hong Kong
“Property Holder”	Golden Kindex Limited (金龍有限公司), a private limited liability company incorporated in Hong Kong, which is the legal and beneficial owner of the Property
“Purchaser”	New Stream Holdings Limited, a company incorporated in the BVI with limited liability on 26 April 2016 and is an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 23 May 2018 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Sale Debt”	100% of all amounts, including principal and interest, owing by the Target Company to the Vendor as at the Completion Date
“Sale Share”	1 share of US\$1.00 in the capital of the Target Company which is legally and beneficially owned by the Vendor and represents the entire issued share capital of the Target Company as at the date hereof and shall remain so as at Completion
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Rosy Beauty Investments Limited, a limited liability company incorporated in the BVI on 3 June 2015 and is the sole owner of the entire share capital of the Property Holder
“Tenancy Agreement”	the tenancy agreement over the Property to be entered into in respect of the Property
“Vendor”	An Independent Third Party who is the legal and beneficial owner of the Sale Share, the Sale Debt and the Vendor’s Loan

“Vendor’s Loan” 100% of all amounts, including principal and interest, owing by the Property Holder to the Vendor as at the Completion Date

“%” per cent

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

Hong Kong, 23 May 2018

As at the date of this announcement, the Board of Directors of the Company 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 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 website of the GEM of the Stock Exchange at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published and remains on the website of the Company at www.deson-c.com.hk.