

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.



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 DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SIMPLE RISE INC.

THE ACQUISITION

The Board is pleased to announce that on 11 March 2019 (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 Shares and the Sale Debt for a cash consideration of HK\$19.5 million. Completion is scheduled to take place on or before 31 May 2019 or such later date to be agreed by the Vendor and the Purchaser.

The Target Company is the legal and beneficial owner of Property 1 and the Subsidiary, which in turn is the legal and beneficial owner of Property 2. Property 1 and Property 2 are Office A and Office B located on a floor of Aubin House, Nos. 171 & 172 Gloucester Road, Hong Kong respectively. The Properties are commercial offices with gross floor area of approximately 610 square feet and approximately 610 square feet respectively.

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 discloseable 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 11 March 2019 (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 Shares and the Sale Debt for a cash consideration of HK\$19.5 million.

THE SALE AND PURCHASE AGREEMENT

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

Date: 11 March 2019

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 and its substantial shareholders are Independent Third Party of the Company and its connected persons (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 Shares and the Sale Debt.

The Target Company is the legal and beneficial owner of Property 1 and the Subsidiary, which in turn is the legal and beneficial owner of Property 2. Property 1 and Property 2 are Office A and Office B located on a floor of Aubin House, Nos. 171 & 172 Gloucester Road, Hong Kong respectively. The Properties are commercial offices with gross floor area of approximately 610 square feet and approximately 610 square feet respectively. The Properties are located in a prime area of Hong Kong, which is near the Wanchai MTR station and Causeway Bay MTR station. They are designated for commercial use and shall be sold to the Purchaser free from Encumbrances on an "as-is" basis.

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

The Consideration

The Consideration for the Acquisition shall be HK\$19.5 million which shall be payable by the Purchaser to the Vendor in the following manners:

- (a) Deposit in the sum of HK\$2,925,000 has been paid by the Purchaser to the Vendor upon the signing of the Sale and Purchase Agreement; and
- (b) The balance of HK\$16,575,000 being the balance of the Consideration shall be payable by the Purchaser to the Vendor on Completion.

The Consideration allocated for the Sale Debt shall be the amount of the Sale Debt and the balance of the Consideration shall be allocated for the Sale Shares.

The Consideration of HK\$19.5 million was determined after considering the prevailing market value of the properties of similar nature available in the localities as determined by an Independent Third Party valuer. The Directors believe that the above provides a reasonable basis for its assessment of the value of the Properties and the Sale Debt.

If any of the conditions precedent is not fulfilled (or not waived by the Purchaser) on or before 31 May 2019, the Vendor shall fully refund the Deposit to the Purchaser within three Business Days. In the event where the Purchaser fails to perform their obligations under the Sale and Purchase Agreement, the Vendor shall have the rights to sue for specific performance or other rights which the Vendor may have in respect of such breach, be entitled to rescind the Sale and Purchase Agreement by notice in writing to the Purchaser and the Vendor shall be entitled to forfeit the Deposit absolutely as liquidated damages but not as penalty, and to re-sell the Sale Shares and the Sale Debt to anyone they think fit. In the event where the Vendor fails to complete the sale of the Sale Shares or the Sale Debt in accordance with the terms of the Sale and Purchase Agreement (other than as a result of the default or fault of the Purchaser), the Purchaser shall, without prejudice to its rights including the right to sue for specific performance or other rights which the Purchaser may have in respect of such breach, be entitled to rescind the Sale and Purchase Agreement by notice in writing to the Vendor and the Vendor shall, within 3 Business Days, fully refund the Deposit to the Purchaser and pay an additional sum equivalent to the Deposit to the Purchaser as agreed liquidated damages but not as penalty.

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 and the Subsidiary;

- (b) the Vendor having a good title to the Sale Shares and Sale Debt, free from all Encumbrances, and the Sale Debt being all outstanding indebtedness or liabilities owing by the Target Company and/or the Subsidiary to the Vendor;
- (c) the Vendor having given and proved that the Target Company has a good title to Property 1 and the Subsidiary has a good title to Property 2 in each case in accordance with S.13 and S.13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) free from all Encumbrances; and
- (d) the Vendor's warranties remaining true and accurate and not misleading as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion date.

If any of the conditions precedent is not fulfilled (or not waived by the Purchaser) on or before 31 May 2019, the Purchaser shall be at liberty on giving to the Vendor not less than five Business Days notice in writing to annul the Sale and Purchase Agreement, in which case the Sale and Purchase Agreement shall at the expiration of the said notice be annulled.

Completion

Completion is expected to take place at or before 5:00 p.m. on 31 May 2019 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 Shares; and (ii) assign the title to, rights, interests and benefits attached to the Sale Debt to the Purchaser. Upon Completion, the Target Company and the Subsidiary will be accounted for as indirect wholly owned subsidiaries of the Group and the financial results of the Target Company and the Subsidiary will be consolidated into the financial statements of the Group.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the BVI on 18 March 2016. It is principally engaged in property holding, which holds Property 1. The Subsidiary is a company incorporated in Hong Kong on 2 April 2008. It is principally engaged in property holding, which holds Property 2.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The unaudited financial information of the Target Company and the Subsidiary for the two years ended 31 December 2018 is set out as follows:

Target Company

	31 December 2017	31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover (represented rental income)	—	165
Net loss before taxation	(12)	(60)
Net loss after taxation	(12)	(60)

Subsidiary

	31 December 2017	31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover (represented rental income)	—	165
Net profit/(loss) before taxation	6	(20)
Net profit/(loss) after taxation	6	(20)

The unaudited consolidated net assets of the Target Company and the Subsidiary as at 31 December 2018 was approximately HK\$16,913,000.

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

The Vendor is a company incorporated in the Cayman Islands with limited liability on 30 September 2011, which is listed on the Main Board of the Stock Exchange. The principal activity of the Vendor is investment holding and its subsidiaries are principally engaged in breeding and slaughtering of hogs and sale of pork products in the PRC. The Vendor is the legal and beneficial owner of the Sale Shares and the Sale Debt.

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, Mainland China and Macau and other construction related business; (ii) investment in securities; and (iii) property investment.

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; (ii) investment in securities; and (iii) property investment.

The Properties are situated in a prime area in Hong Kong. The Acquisition has been made for investment purposes. The Group intends to lease out the Properties to Independent Third Parties for rental income, which will allow the Group to benefit from recurring rental income and the rising property prices in Hong Kong.

The Group's existing portfolio consists of two commercial properties in Hong Kong. The Acquisition, which involves two commercial properties 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 discloseable 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 Shares and the Sale Debt by the Purchaser
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning No.8 or above or a “black” rainstorm warning is hoisted at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“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 Date”	31 May 2019 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\$19.5 million
“Deposit”	the initial deposit in the total amount of HK\$2,925,000 paid by the Purchaser to the Vendor upon the 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 People’s Republic of China
“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
“Properties”	collective, the Property 1 and the Property 2

“Property 1”	Office A located on a floor of Aubin House, Nos. 171 & 172 Gloucester Road, Hong Kong, a property held under the name of the Target Company
“Property 2”	Office B located on a floor of Aubin House, Nos. 171 & 172 Gloucester Road, Hong Kong, a property held under the name of the Subsidiary
“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 11 March 2019 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 Shares”	50,000 shares of US\$1.00 each 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
“Subsidiary”	Sunny Harvest Limited (耀豐有限公司), a private company incorporated in Hong Kong with limited liability on 2 April 2008, which is the legal and beneficial owner of Property 2 and is a wholly-owned subsidiary of the Target Company
“Target Company”	Simple Rise Inc. (易發有限公司), a company incorporated in the BVI on 18 March 2016, which is the legal and beneficial owner of Property 1 and the sole owner of the entire share capital of the Subsidiary
“Vendor”	Huisheng International Holdings Limited (惠生國際控股有限公司), a company incorporated in the Cayman Islands with limited liability on 30 September 2011 and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1340), which is the legal and beneficial owner of the Sale Shares and the Sale Debt

“%”

per cent

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

Hong Kong, 11 March 2019

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 document misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the Company’s website at www.deson-c.com.