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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)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF A WHOLLY-OWNED SUBSIDIARY**

#### **THE DISPOSAL**

The Board wishes to announce that, on 24 October 2019 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire, (i) the Sale Share, representing the entire issued share capital of the Target Company; and (ii) the Debt, representing all the amounts owing by the Disposal Group to the Vendor as at the Completion Date, at an aggregate Consideration of HK\$10,600,000, subject to Current Asset/Liability Adjustment. The Consideration is to be satisfied by payment in cash.

The Disposal Group is principally engaged in the investment holding and property investment. It solely holds the Property in Hong Kong with the Subsidiary as the registered owner. Upon Completion, the Disposal Group will cease to be subsidiaries of the Company.

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

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal is more than 5% but is less than 25%, the Disposal contemplated under the Sale and Purchase Agreement constitutes a discloseable transaction of the Company under the GEM Listing Rules and is subject to notification and announcement requirements as set out in Chapter 19 of the GEM Listing Rules.

**Shareholders and potential investors of the Company should note that Completion of the Disposal is subject to fulfilment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement and therefore, there remains the possibility that the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing with the Shares or other securities of the Company.**

## **INTRODUCTION**

The Board wishes to announce that on 24 October 2019 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Sale and Purchase Agreement in relation to the Disposal pursuant to the Sale and Purchase Agreement, the Vendor agreed to sell, and the Purchaser agreed to acquire, (i) the Sale Share; and (ii) the Debt, at the aggregate Consideration of HK\$10,600,000, subject to the Current Asset/Liability Adjustment.

The principal terms of the Sale and Purchase Agreement are set out below.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

24 October 2019

### **Parties**

Vendor: New Stream Holdings Limited, an indirect wholly-owned subsidiary of the Company

Purchaser: an Independent Third Party

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Purchaser is Independent Third Party.

### **Assets disposed of**

Pursuant to Sale and Purchase Agreement, the Vendor agreed to sell, and the Purchaser agreed to acquire, (i) the Sale Share; and (ii) the Debt, at the aggregate Consideration of HK\$10,600,000, subject to the Current Asset/Liability Adjustment. The Sale Share represents the entire issued share capital of the Target Company. The Debt represents all the amounts owing by the Disposal Group to the Vendor as at the Completion Date.

### **Consideration and Payment Term**

The aggregate Consideration for the Sale Share and the Debt is HK\$10,600,000, subject to the Current Asset/Liability Adjustment.

The Consideration is to be satisfied by the Purchaser by payment in cash in the following manner:

- (a) a deposit of HK\$1,060,000 to be paid on or before 28th October 2019 to the Vendor's solicitors as stakeholder who shall not release the same to the Vendor upon Completion ("**Deposit**"); and
- (b) the balance of the Consideration in the sum of HK\$9,540,000 shall be paid upon Completion.

The Consideration for the Disposal was arrived at after arm's length negotiations between the Vendor and the Purchaser, having taken into account the recent market prices of the landed properties in and near the vicinity where the Property situates, the prevailing property market conditions in Hong Kong, and with reference to the market value of the Property of HK\$10,400,000 as at 31 March 2019 based on the Valuation Report prepared by an independent valuer.

The Directors consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **Conditions Precedent**

Completion is conditional upon and subject to the following conditions:

- (a) the Purchaser having completed his due diligence review on the business, financial, legal and all other aspects of the Disposal Group and is satisfied with the results thereof;
- (b) the Vendor having procured the Target Company to give and prove a good title to the Property in accordance with Section 13 and Section 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) at the Vendor's own costs and expenses; and
- (c) all representations and warranties given by the Vendor under the Sale and Purchase Agreement shall remain true and accurate in all material respects and not misleading as if the representations and warranties are repeated by the Vendor as at the Completion Date.

If any of the conditions set out above have not been fulfilled (or, as the case may be, waived) on or before the Completion Date, then the Sale and Purchase Agreement shall lapse whereupon (i) the Deposit shall be returned to the Purchaser without interest if it is returned within 7 days from the lapse of the Sale and Purchase Agreement; and (ii) the provisions of the Sale and Purchase Agreement shall from such date have no further force and effect and no Party shall have any liability thereunder (without prejudice to the rights of the parties to the Sale and Purchase Agreement in respect of any antecedent breaches).

## **Deed of Indemnity**

On Completion, the Vendor, the Disposal Group and the Purchaser will enter into the Deed of Indemnity, whereby the Vendor undertakes to the Purchaser that it shall indemnify the Purchaser and the Disposal Group for a period of thirty-six (36) calendar months from the date of the Completion against any tax liabilities as well as all interest, penalties, costs, charges and expenses incidental to or relating to the tax liabilities of the Disposal Group in Hong Kong and the BVI up to the date of Completion.

## **Completion**

Upon all of the conditions precedent under Sale and Purchase Agreement having been fulfilled or waived (as the case may be), the Completion shall take place on 22 November 2019 or such other date as the Vendor and the Purchaser may agree in writing.

Upon Completion, the Disposal Group will cease to be subsidiaries of the Company and the Group will cease to have any interest in the Property.

## **INFORMATION OF THE GROUP**

The Company is an investment holding company. The Group is currently principally engaged in (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 Vendor is an indirect wholly-owned subsidiary of the Company and its principal activity is the investment holding.

## **INFORMATION OF THE PURCHASER**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is an Independent Third Party.

## **INFORMATION ON THE DISPOSAL GROUP AND THE PROPERTY**

The Target Company is a company incorporated in the BVI with limited liability. The Subsidiary is a company incorporated in Hong Kong with limited liability and is the wholly-owned subsidiary of the Target Company. The Disposal Group is principally engaged in the investment holding and property investment and it solely holds the Property in Hong Kong with the Subsidiary as the registered owner. The Vendor acquired the Disposal Group (which holds the Property) in June 2018 at a consideration of HK\$10,300,000.

The Property is half floor of Winner Commercial Building, Nos. 401 – 403 Lockhart Road, Hong Kong. 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 Wanchai MTR station and Causeway Bay MTR station.

As at 31 December 2018, the audited carrying value of the Property was HK\$8,591,158.

Set out below is a summary of the key financial information of the Disposal Group from acquisition thereof in June 2018 to 31 March 2019 and for the three months ended 30 June 2019:

	<b>For the year ended 31 March 2019</b>	<b>For the three months ended 30 June 2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(approximately) (audited)	(approximately) (unaudited)
Revenue	234	78
Revaluation gain on investment property	1,077	—
Profit (Loss) before taxation	1,255	64
Profit (Loss) after taxation	1,238	64
	<b>As at</b>	<b>As at</b>
	<b>31 March 2019</b>	<b>30 June 2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(approximately)	(approximately)
	(audited)	(unaudited)
Total assets	10,676	64,670
Net assets	463	526

## FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Group will cease to have any interest in the Disposal Group, and the financial results of the Disposal Group will no longer be consolidated in the financial statement of the Group.

Upon Completion, the Group expects to record estimated unaudited profit of approximately HK\$120,000 as a result of the Disposal, which is calculated with reference to the difference between (i) the Consideration and (ii) the aggregate of (a) the estimated unaudited net asset value of the Disposal Group as at 30 June 2019; (b) the amount of the Debt; and (c) the estimated expenses in connection with the Disposal. The Consideration will be applied to the Group for general working capital and daily operating use. The actual profit as a result of the Disposal to be recorded by the Group may be subject to accounting adjustment and shall be subject to audit to be performed by the auditors of the Company.

## **REASONS FOR AND BENEFIT OF THE DISPOSAL**

The Property is an investment property of the Group as the Group has leased the Property for generating rental income and the tenancy ended on 31 August 2019. The Directors are of the view that the gloomy economy of Hong Kong caused by the present anti-extradition law amendment bill movement has casted uncertainty to commercial property market in Hong Kong and made it unstable, and the Group should realise its investment in the Property before the drop of the property market actually happens so as to prevent loss in the investment. The net proceeds as a result of the Disposal provides working capital for the Group for the Group's future development.

The terms of the Sale and Purchase Agreement were determined after arm's length negotiations between the Vendor and the Purchaser on a willing-buyer and willing-seller basis. In determining the Consideration, the Board has made reference to, among others, the market value of the Property as at 31 March 2019, based on the Valuation Report.

In light of the reasons above, the Directors (including the non-executive Directors and the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. The Disposal has been approved by the Board. As none of the Directors had material interests in the Sale and Purchase Agreement, no Director was required to abstain from voting on the resolutions approving the Sale and Purchase Agreement and the transaction contemplated thereunder.

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

As one or more of the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to notification and announcement requirements as set out in Chapter 19 of the GEM Listing Rules.

**Shareholders and potential investors of the Company should note that Completion of the Disposal is subject to fulfilment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement and therefore, there remains the possibility that the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing with the Shares or other securities of the Company.**

## DEFINITIONS

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

“Account Date”	31 December 2018
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturdays, Sundays and public holidays) 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 of the Stock Exchange (Stock Code: 8268))
“Completion”	completion of the Disposal, which shall take place on the Completion Date, subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	22 November 2019, or such other date as the Vendor and the Purchaser may agree in writing
“Completion Management Accounts”	the unaudited financial statement of the Disposal Group made from the Account Date ended to the Completion Date
“connected persons”	has the meaning ascribed to such term in the GEM Listing Rules
“Consideration”	the sum of HK\$10,600,000 subject to the Current Asset/Liability Adjustment, being the purchase price payable by the Purchaser for the Sale Share and the Debt pursuant to the Sale and Purchase Agreement

“Current Asset/Liability Adjustment”	<p>If the amount of net current assets of the Disposal Group as shown in the Completion Management Accounts of the Disposal Group and calculated in the manner as follows is more or less than zero, the Balance of Consideration shall be adjusted upwards or downwards (as the case may be) accordingly:</p> <p>(a) <b>adding</b> the total current assets of the Disposal Group (excluding the Property) as at Completion including (i) deposits and/or prepayments to utility companies, and for Government rent and rates and other outgoings in respect of the Property, (ii) trade receivable(s) and other receivable(s) (if any); and (iii) all cash at bank owned by the Disposal Group, in each case as shown in the Completion Management Accounts; and</p> <p>(b) <b>deducting</b> the total current liabilities of the Disposal Group as at Completion including (i) any accruals for unpaid administrative and operating charges and expenses of the Disposal Group; and (ii) any other liabilities or payables of the Disposal Group whether actual or contingent (but excluding (a) the Debt; (b) any deferred taxation in respect of any appreciation, revaluation and/or gain on subsequent disposal of the Property; and (c) any form of tax/taxation which is imposed on the Property and/or the Disposal Group due to the change of law in Hong Kong after the date of the Sale and Purchase Agreement in each case as shown in the Completion Management Accounts</p>
“Debt”	all amounts, whether principal or interest, owing by the Target Company and/or the Subsidiary to the Vendor immediately prior to Completion
“Deed of Indemnity”	the deed of indemnity to be entered into between the Vendor and the Purchaser on Completion in relation to tax liabilities of the Disposal Group prior to Completion
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Share and the assignment of the Debt subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement
“Disposal Group”	the Target Company and the Subsidiary
“GEM”	the GEM of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries (which shall exclude, where the context requires, the Disposal Group immediately after Completion) from time to time
“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)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected person (as defined in the GEM Listing Rules)
“Party(ies)”	the parties to the Sale and Purchase Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	half floor of Winner Commercial Building, Nos. 401–403 Lockhart Road, Hong Kong
“Purchaser”	an Independent Third Party
“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 October 2019 entered into between the Vendor and the Purchaser in relation to the sale and purchase of (i) the Sale Share; and (ii) the Debt subject to the terms and conditions therein
“Sale Share”	one (1) ordinary share of the Target Company of US\$1.00 which has been fully paid, representing the entire issued share capital of the Target Company as at Completion, owned by the Vendor immediately prior to Completion
“Shareholder(s)”	holder(s) of the share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subsidiary”	Golden Kindex Limited (金龍有限公司), a company incorporated under the laws of Hong Kong with limited liability, which is a wholly-owned subsidiary of the Target Company
“Target Company”	Rosy Beauty Investments Limited, a company incorporated under the laws of BVI with limited liability, which is an indirect wholly-owned subsidiary of the Company before Completion
“Valuation Report”	Valuation Report prepared by an independent valuer dated 20 June 2019 on the market value of the Property
“Vendor”	New Stream Holdings Limited, a company incorporated under the laws of BVI with limited liability, which is an indirect wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board  
**Deson Construction International Holdings Limited**  
**Hung Kenneth**  
*Executive Director*

Hong Kong, 24 October 2019

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Hung Kenneth and Ms. Lau Po Yee as executive Directors; Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna as independent non-executive Directors.*

*This announcement, for which the Directors of the Company 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 of the Company, 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 “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://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](http://www.deson-c.com).*