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**Deson Development International Holdings Limited**

**迪臣發展國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 262)**

## **CONNECTED TRANSACTION**

### **ACQUISITION OF FURTHER INTEREST IN A SUBSIDIARY**

The Directors are pleased to announce that on 17 February 2006, Gold Swing, a wholly-owned subsidiary of the Company (as the purchaser) entered into an unconditional agreement with Interpath (as the vendor) in relation to the acquisition of the Sale Shares and the Shareholder's Loan at a total consideration of HK\$4,000,000. Gold Swing is the controlling shareholder of Mega Fitness holding 75% of its issued shares. Upon completion of the Agreement, Mega Fitness will become a wholly-owned subsidiary of the Company.

Interpath is a substantial shareholder of Mega Fitness. Interpath is beneficially owned by Mr. Ho who acts as a director in several subsidiaries of the Company. Accordingly Interpath is a connected person of the Company within the meaning of the Listing Rules. The Acquisition therefore constitutes a connected transaction of the Company under Rule 14A.13 (1)(a) of the Listing Rules. Since such transaction falls below the *de minimis* threshold under Rule 14A.32 of the Listing Rules, it is exempted from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

### **THE AGREEMENT**

**Date:** 17 February 2006

**Parties:**

- (i) Interpath, an investment holding company and a connected person of the Company within the meaning of the Listing Rules (as the vendor); and

- (ii) Gold Swing, a wholly-owned subsidiary of the Company and the controlling shareholder of Mega Fitness (as the purchaser).

Pursuant to the Agreement, Gold Swing has agreed to purchase and Interpath has agreed to sell the Sale Shares and the Shareholder's Loan. The Sale Shares represents 25% of the issued share capital of Mega Fitness. Upon completion of the Agreement, Interpath shall assign the Shareholder's Loan to Gold Swing or such person(s) as it may direct.

The consideration payable by Gold Swing to Interpath for the Sale Shares and the Shareholder's Loan is HK\$1,222,222.22 and HK\$2,777,777.78, respectively, which will be satisfied by way of cash in one lump sum upon Completion. The consideration will be financed by internal resources of the Group.

The consideration payable for the Sale Shares is HK\$1,222,222.22 and was determined after arm's length negotiations between the parties to the Agreement by reference to the unaudited net deficit of Mega Fitness of HK\$16,294,851 as at 31 March 2005 and the original cost of acquisition of the Sale Shares by Interpath taking into account that the Sale Shares represent the minority stake in Mega Fitness, a company controlled by the Company. Upon completion of the Agreement, Mega Fitness will become a wholly-owned subsidiary of the Company.

The consideration payable for the Loan Assignment is HK\$2,777,777.78 and is equivalent to the outstanding balance of the Shareholder's Loan as at the date of the Agreement. The Shareholder's Loan is a interest free and unsecured loan repayable on demand. The Company expects that the outstanding amount of the Shareholder's Loan as at the date of Completion will not be materially different from that sum.

Completion of the Agreement shall be unconditional and shall take place within 3 business days after signing of the Agreement.

## **INFORMATION ON MEGA FITNESS**

Mega Fitness is an investment holding company incorporated in the British Virgin Islands on 29 May 2000 and an indirect subsidiary of the Company. Since its establishment, Gold Swing has been interested in 75% of the issued share capital of Mega Fitness. As at the date of this announcement, Mega Fitness is owned as to 75% by Gold Swing and 25% by Interpath, respectively. To the best knowledge of the Directors, the 25% interest in Mega Fitness was acquired by Interpath from the previous 25% shareholder in 2002 at a consideration of HK\$3,113,207.6 (including a shareholder's loan equivalent to the face value of the outstanding Shareholder's Loan). Upon completion of the Agreement, Mega Fitness will become a wholly-owned

subsidiary of Gold Swing. The principal asset of Mega Fitness is its approximately 99.4% interest in the registered capital of 上海美格菲健身中心有限公司 (Shanghai Megafit Fitness Center Co., Ltd.\*) which operates 3 fitness centers in Shanghai, the PRC.

The unaudited net deficit of Mega Fitness prepared in accordance with Hong Kong accounting standard as at 31 March 2005 was approximately HK\$16,294,851. The unaudited net loss of Mega Fitness (both before and after taxation and extraordinary items) for the two financial years ended 31 March 2004 and 31 March 2005 were approximately HK\$3,517,781 and HK\$6,244,220, respectively.

## **REASON FOR THE ACQUISITION**

The Group is principally engaged in (i) the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and the PRC; (ii) the property development and investment; and (iii) the operation of fitness centers and trading of fitness equipment.

Mega Fitness is currently 75% owned by the Group and will become a wholly-owned subsidiary of the Company upon completion of the Agreement whereupon the Company will be able to exercise complete control over Mega Fitness and thus the operations and business development of the fitness centers in Shanghai, the PRC, operated by 上海美格菲健身中心有限公司 which is owned as to 99.4% by Mega Fitness. The Board noted that there has been a gradual increase of general fitness awareness in the PRC which has resulted in the growth and development of health and fitness related businesses such as the operations of fitness centers. Megafit is a popular brand owned by 上海美格菲健身中心有限公司 and has built up a good reputation through the fitness centers operated in Shanghai, PRC. Accordingly, the Board believes that such business will have a strong growth potential in the future.

The Directors (including the independent non-executive Directors) are of the view that the Agreement and the transactions contemplated therein are on normal commercial terms and such terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **GENERAL**

Interpath is a substantial shareholder of Mega Fitness. Interpath is beneficially owned by Mr. Ho who acts as a director in several subsidiaries of the Company. Accordingly Interpath is a connected person of the Company within the meaning of the Listing Rules. The Acquisition therefore constitutes a connected transaction of the Company under Rule 14A.13 (1)(a) of the Listing Rules. Since such transaction falls below the

*de minimis* threshold under Rule 14A.32 of the Listing Rules, it is exempted from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Shares by Gold Swing and the Loan Assignment;
“Agreement”	the sale and purchase agreement dated 17 February 2006 entered into between Gold Swing and Interpath in relation to the Acquisition;
“Board”	the board of Directors, or a duly authorized committee of the board of Directors;
“Company”	Deson Development International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange;
“Completion”	the completion of the Agreement pursuant to the terms of the Agreement;
“connected person”	shall have the meaning ascribed to it under the Listing Rules;
“de minimis threshold”	shall have the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Gold Swing”	Gold Swing Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	HK dollars, the lawful currency in Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Interpath”	Interpath Profits Limited, a company incorporated in the British Virgin Islands with limited liability;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Loan Assignment “	the assignment of the Shareholder’s Loan pursuant to a deed of loan assignment to be entered into by Interpath (as assignor), Gold Swing (as assignee) and Mega Fitness;
“Mega Fitness”	Mega Fitness (Shanghai) Investments Limited, a company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is owned as to 75% by Gold Swing and as to 25% by Interpath as at the date of this announcement;
“Mr. Ho”	Mr. Ho Shu Sum;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	25 shares of US\$1.00 each in the share capital of Mega Fitness, representing 25% of the issued share capital of Mega Fitness;
“Shareholder’s Loan”	the loan in the amount of HK\$2,777,777.78 due and owing by Mega Fitness to Interpath without interest as at the date of the Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 17 February 2006

*As at the date of this announcement, the executive Directors of the Company are Mr. Wang Ke Duan, Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Mr. Keung Kwok Cheung and Mr. Ong Chi King and the independent non-executive Directors of the Company are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver.*

\* *For identification only*

Please also refer to the published version of this announcement in The Standard.