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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)**

## **DISCLOSEABLE TRANSACTION**

### **ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF WINSOME PROPERTIES LIMITED AND LOAN CONTRIBUTION**

The Directors are pleased to announce that on 7 March, 2006, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the Acquisition of the entire issued share capital of Winsome at a consideration of HK\$10,096,154 and the provision of a shareholder's loan of HK\$23,557,692 to Winsome.

The Acquisition and the Loan Contribution together constitute a discloseable transaction of the Company under the Listing Rules. A circular containing, among other matters, details of the Acquisition and the Loan Contribution will be despatched to the Shareholders as soon as practicable.

#### **Date**

7 March, 2006

#### **The Purchaser**

Blocks Success International Limited (a wholly owned subsidiary of the Company).

#### **The Vendor**

A PRC citizen.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendor is a third party independent of the Company and any connected person of the Company and is not a connected person of the Company. The Company has no previous dealing with the Vendor.

## **Winsome**

Winsome is an investment holding company incorporated in Hong Kong which is currently wholly owned by the Vendor. It currently holds a 70% equity interest in Hainan Yahoo. As Winsome has only been incorporated on 15 December, 2005 and has not commenced business, it has not generated any profit/loss. The consolidated total assets and net asset value of Winsome as at 28 February, 2006 is HK\$2.00.

## **Hainan Yahoo**

Hainan Yahoo is a sino-foreign equity joint venture established in the PRC on 15 February, 2006, which is owned as to 70% by Winsome and 30% by a PRC limited liability company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of such PRC limited company and its ultimate beneficial owner is a third party independent of the Company and any connected person of the Company and is not a connected person of the Company. The registered capital and total investment of Hainan Yahoo are RMB10,000,000 and RMB20,000,000, respectively. The registered capital of Hainan Yahoo has not been paid up. The equity owners of Hainan Yahoo will pay their relevant proportion of the registered capital in accordance with the articles of Hainan Yahoo. Winsome will utilize part of the Loan Contribution to fulfil its obligation to pay the amount of RMB7,000,000 as registered capital contribution to Hainan Yahoo. Hainan Yahoo has only recently been established and has not commenced business. According to its business licence, its business scope includes tourism guest house management operations and tourism development.

## **Consideration**

The consideration for the Acquisition amounts to HK\$10,096,154 which shall be payable in cash as follows:

- (i) HK\$2,884,615 within 10 Business Days upon the signing of the Agreement (as deposit); and
- (ii) HK\$7,211,539 upon Completion.

The Loan Contribution which has been contributed and shall be contributed in cash as follows:

- (i) HK\$6,730,000 upon the signing of the Agreement (as deposit); and
- (ii) HK\$16,827,692 upon Completion.

The Loan Contribution is interest-free, unsecured and has no fixed repayment term.

The amount of the Loan Contribution to Winsome by the Purchaser of HK\$23,557,692 was determined with reference to the need for Winsome to contribute, by way of capital injection, to Hainan Yahoo 70% (representing Winsome's equity interest in Hainan Yahoo) of the expected amount which Hainan Yahoo will need to acquire Hotel Osroc (see under "Condition Precedent" below). It is expected that the consideration for the acquisition of Hotel Osroc will amount to approximately RMB35,000,000 (approximately HK\$33,653,846) and Winsome will be responsible for the contribution of the sum of RMB24,500,000

(approximately HK\$23,557,692) whilst the balance will be contributed by the other joint venture partner of Hainan Yahao. The consideration for the Acquisition and the Loan Contribution has been determined taking into account the valuation of Hotel Osroc of HK\$39,423,077 based on its open market value as stated in the preliminary valuation report dated 28 February, 2006 prepared by an independent valuer. The consideration for the Acquisition and the Loan Contribution of RMB35,000,000 represents a premium of approximately 22% to the 70% of the valuation of Hotel Osroc under the valuation report. Taking into account the growth prospects of the hotel business in Hainan as detailed in the section headed "Reasons of the Acquisition and the Loan Contribution" below, the Directors (including the independent non-executive Directors) consider the consideration is fair and reasonable so far as the Company and the Shareholders are concerned.

Apart from the consideration for the Acquisition and the Loan Contribution, the Group has made no other contractual commitment to contribute any capital or shareholder's loan to Winsome and Hainan Yahao.

The Purchaser's payment of the consideration for the Acquisition and the Loan Contribution to Winsome has been and will be funded by internal resources of the Group.

### **Condition Precedent**

Completion is conditional upon Hainan Yahao having committed to acquire Hotel Osroc at a consideration of not more than RMB35,000,000 (approximately HK\$33,653,846). The Directors are of the view that this condition will be fulfilled upon the entering into between the relevant parties of a legally binding agreement relating to the sale and purchase of Hotel Osroc. Hainan Yahao is currently negotiating with the sellers of Hotel Osroc with respect to the detailed terms of the acquisition. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the sellers of Hotel Osroc and their respective ultimate beneficial owners is a third party independent of the Company and any connected person of the Company and is not a connected person of the Company. The Directors understand that as at the date of the Agreement, no agreement in relation to the acquisition of Hotel Osroc has been entered into between the relevant parties.

If the aforesaid condition has not been fulfilled by 30 June, 2006, or such later date as the Vendor and the Purchaser may agree, the Vendor shall forthwith refund and procure Winsome to refund the aggregate amount of the deposit (being HK\$9,614,615) (in cash) to the Purchaser. Following such refund, the Agreement shall terminate and cease to be of any further effect save in respect of claims arising out of any antecedent breach of the Agreement.

### **Completion**

Completion will take place on the Business Day after the fulfillment of the aforesaid condition or such other date as otherwise agreed by the Vendor and the Purchaser.

## **REASONS OF THE ACQUISITION AND THE LOAN CONTRIBUTION**

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 club and trading of fitness equipment.

Hotel Osroc is located in Haikou, the capital of Hainan Province. It first began operation in 1996 and is a three star hotel with a total of 199 guest rooms and suites with a gross floor area of 22,739.05 m<sup>2</sup>. In view of the great potential which Hainan Province has as an upscale tourist destination, the Group intends to make use of the Acquisition and the Loan Contribution as a stepping stone for the Group to participate in the hotel business in Hainan, as they consider the growth prospects of this business to be promising.

The Group has acquired substantial experience in contracting the renovation works for a number of hotels in the PRC. As Hotel Osroc has been operated for about 10 years, the Directors intend to utilize such experience and its general expertise in the construction business to renovate Hotel Osroc following Completion for the purposes of enhancing the value of the assets.

The Directors (including the independent non-executive Directors) consider the terms of the Acquisition and the Loan Contribution are on normal commercial terms and are fair and reasonable so far as the Company is concerned. They also consider the Acquisition and the Loan Contribution are in the interest of the Shareholders as a whole.

## **GENERAL**

The Acquisition and the Loan Contribution together constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing, among other matters, details of the Acquisition and the Loan Contribution will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, the executive Directors 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 are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver.

## **DEFINITIONS OF TERMS USED IN THIS ANNOUNCEMENT**

“Acquisition”	the acquisition of the Sale Shares
“Agreement”	the agreement dated 7 March, 2006 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Shares and the Loan Contribution
“Board”	the board of Directors
“Business Days”	any day (other than Saturday, Sunday, a public holiday) on which banks in Hong Kong are open for business

“Company”	Deson Development International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition and the Loan Contribution
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hainan Yahao”	海南亞豪置業有限公司 (Hainan Yahao Properties Limited), a sino-foreign equity joint venture established in the PRC
“Hotel Osroc”	海南奧斯羅克大酒店 (Hotel Osroc*), a hotel located in Haikou, Hainan Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Contribution”	the contribution of HK\$23,557,692 as shareholder’s loan to Winsome
“PRC”	the People’s Republic of China
“Purchaser”	Blocks Success International Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands
“Sale Shares”	2 shares of HK\$1.00 each in the capital of Winsome, representing its entire issued share capital
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	the seller of the Sale Shares, who is a PRC citizen
“Winsome”	Winsome Properties Limited, a company incorporated in Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC

*For the purpose of this announcement, the following exchange rate has been used for the conversion of Renminbi into Hong Kong dollars for indication only: RMB104 = HK\$100*

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

Hong Kong, 10 March, 2006

\* *for identification purposes only.*

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