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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)

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES ISSUE OF HK\$15,750,000 4 PER CENT. CONVERTIBLE NOTES DUE 2009 AND RESUMPTION OF TRADING IN SHARES

PLACING AND TOP-UP SUBSCRIPTION

The Directors are pleased to announce that on 4 April, 2006, Sparta Assets entered into the Placing Agreement with Penta Investment and the Share Subscription Agreement with the Company respectively. Pursuant to the Placing Agreement, Sparta Assets agreed to place 15,000,000 Placing Shares with Penta Investment at a price of HK\$0.34 per Share. Pursuant to the Share Subscription Agreement, Sparta Assets conditionally agreed to subscribe for 15,000,000 Subscription Shares at the same price of HK\$0.34 per Share.

The Placing Shares and the Subscription Shares each represent approximately 3.02% of the existing issued share capital of the Company comprising 496,683,017 Shares, approximately 2.93% of the Company's issued share capital as enlarged by the Subscription Shares and approximately 2.74% of the Company's issued share capital as enlarged by the issue of the Subscription Shares and (assuming full conversion of the Notes and based on the initial Conversion Price) the Conversion Shares (see below).

The Share Subscription is conditional upon, among other things, the completion of the Placing, the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares. The Subscription Shares will be issued and allotted by the Company under the General Mandate.

ISSUE OF CONVERTIBLE NOTES

The Directors are also pleased to announce that on 4 April, 2006, the Company and Penta Investment entered into the CN Subscription Agreement under which, subject to certain conditions, the Company agreed to issue, and Penta Investment agreed to subscribe for, the Notes with an aggregate principal amount of HK\$15,750,000.

The Notes are convertible into Shares at a conversion price at HK\$0.45 per Share (subject to adjustments). The Notes and the Conversion Shares to be issued pursuant to the Notes will be issued under the General Mandate. The issue of the Notes is conditional upon, among other things, the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon conversion of the Notes.

Upon full conversion of the Notes, and based on the initial Conversion Price, a total of 35,000,000 Conversion Shares will be issued, representing approximately 7.05% of the existing issued share capital of the Company, approximately 6.58% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and 6.40% of the Company's issued share capital as enlarged by the issue of the Conversion Shares and the Subscription Shares.

The completion of the CN Subscription Agreement is not conditional on the completion of the Placing or the completion of the Share Subscription.

RESUMPTION OF SHARE TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 3 April, 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the Shares to resume trading as from 9:30 a.m. on 7 April, 2006.

THE PLACING AGREEMENT

Date: 4 April, 2006

- Parties:**
- (i) Sparta Assets (as the vendor), the controlling shareholder of the Company; and
 - (ii) Penta Investment (as the purchaser). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Penta Investment and its ultimate beneficial owner are Independent Third Parties which currently have no shareholding interest in the Company.

Placing Shares

15,000,000 Shares, representing 3.02% of the existing issued share capital of the Company comprising 496,683,017 Shares and 2.93% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and 2.74% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and (assuming full conversion of the Notes and based on the initial Conversion Price) the Conversion Shares (see below for details).

Placing Price

The price at which the Placing Shares are being placed with Penta Investment is HK\$0.34 per Placing Share. The Placing Price was determined after arm's length negotiations between Sparta Assets and Penta Investment with reference to, among other things, the recent trading price of the Shares on the Stock Exchange and the terms of the issue of the Notes which are also being issued to Penta Investment (including the premium of the Notes to the market price of the Shares). Accordingly, the Directors consider that the Placing Price is in the interest of the Company and its shareholder as a whole. The Placing Price represents:

- (i) a discount of approximately 17.07% to the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 17.07% to the average closing price of approximately HK\$0.41 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Date; and
- (iii) a discount of approximately 5.29% to the average closing price of approximately HK\$0.359 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date.

Condition of the Placing

Save for the right of Penta Investment to terminate the Placing Agreement on certain grounds including the occurrence of force majeure events or breach of any of the warranties given by Sparta Assets in the Placing Agreement, the Placing is unconditional and is expected to be completed on 7 April, 2006.

THE SHARE SUBSCRIPTION AGREEMENT

Date: 4 April, 2006

Parties: (i) Sparta Assets (as the subscriber), the controlling shareholder of the Company; and
(ii) the Company.

Subscription Shares

15,000,000 Shares, representing 3.02% of the existing issued share capital of the Company and 2.93% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and 2.74% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and (assuming full conversion of the Notes and based on the initial Subscription Price) the Conversion Shares (see below for details).

Subscription Price

The Subscription Price is HK\$0.34 per Share (net price of each Subscription Share after expenses is approximately HK\$0.33). The Subscription Price is equal to the Placing Price.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

Conditions of the Share Subscription

The Share Subscription is conditional upon:

- (i) the completion of the Placing;
- (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares; and
- (iii) if required, the Bermuda Monetary Authority granting or agreeing to grant permission to allot, issue and subsequent transfer of the Subscription Shares.

If any of the above conditions is not fulfilled on or before 30 April, 2006 (or such later date as may be mutually agreed between the parties), the Share Subscription Agreement will lapse.

To qualify for exemption from the shareholders' approval requirement for connected transactions under the Listing Rules, the Subscription Shares must be issued to Sparta Assets within 14 days from the date of the Placing Agreement, that is, on or before 18 April, 2006

In the event that the conditions to the Share Subscription Agreement are not fulfilled by 18 April, 2006, the Company and Sparta Assets may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules, to postpone completion to a later date to be agreed between the parties.

The completion of the Share Subscription is conditional on the completion of the Placing but is not conditional on the completion of the CN Subscription.

The Subscription Shares will be issued and allotted pursuant to the General Mandate. Such General Mandate has not been utilised since the date it was granted.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Use of proceeds

The Company will bear all costs and expenses in connection with the Placing and the Share Subscription. The net proceeds of the issue of the Subscription Shares are estimated to be approximately HK\$5 million and are expected to be used as the Group's additional working capital.

CN SUBSCRIPTION AGREEMENT

Date: 4 April, 2006

Parties: (i) the Company (as the issuer); and
(ii) Penta Investment (as the subscriber).

Notes to be issued

HK\$15,750,000 4 per cent. Convertible Notes Due 2009

Principal amount of the Notes

HK\$15,750,000, payable in cash by Penta Investment to the Company on the date of completion of the CN Subscription.

Principal terms of the Notes

Maturity	The third anniversary of the date of issue of the Notes (the " Maturity Date "). Unless previously redeemed, converted or purchased and cancelled, the Notes shall be redeemed by the Company at 100% of their principal amount at the Maturity Date.
Interest	The Notes will bear interest from the date of issue of the Note (the " Issue Date ") at the rate of 4% per annum on the outstanding principal amount thereof, which will be payable once every six months in arrears at the end of each six-month period commencing from the Issue Date.
Transferability	The Notes are freely transferable. The Company will promptly notify the Stock Exchange upon becoming aware of any dealings in the Notes by any connected persons of the Company.
Conversion price	HK\$0.45 (subject to adjustments) per Share, being the price at which each Conversion Share will be issued upon conversion of all or any part of the Notes. The adjustment events including, consolidation or sub-division of the Shares, capitalisation of profits or reserves, capital distribution and rights issue and other usual events which may have a dilution effect on the Conversion Shares.
Conversion period	The period commencing from the first anniversary of the Issue Date and ending on the date which is the thirtieth (30th) day prior to the Maturity Date.
Conversion Shares	The new Shares which fall to be issued on conversion of the Notes shall rank pari passu in all respects with the existing Shares in issue on the date of conversion.

Upon full conversion of the Notes, and based on the initial Conversion Price, a total of 35,000,000 Conversion Shares will be issued, representing approximately 7.05% of the existing issued share capital of the Company, approximately 6.58% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and 6.40% of the Company's issued share capital as enlarged by the issue of the Conversion Shares and the Subscription Shares.

The terms and conditions of the Notes were negotiated between the Company and Penta Investment on an arm's length basis and the Directors (including the independent non-executive Directors) consider that the terms are on normal commercial terms, fair and reasonable so far as the Company is concerned and are in the interest of the Shareholders as a whole.

Conversion Price

The initial Conversion Price of HK\$0.45 per Share represents:

- (i) a premium of approximately 9.76% to the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 9.76% to the average closing price of HK\$0.41 per Share as quoted on the Stock Exchange on the five consecutive trading days up to and including the Last Trading Date; and
- (iii) a premium of approximately 25.35% to the average closing price of HK\$0.359 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date.

Conditions of the CN Subscription

The obligation of Penta Investment to subscribe for the Notes is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares;
- (ii) if required, the Bermuda Monetary Authority granting or agreeing to grant permission to issue of the Notes and to allot, issue and subsequent transfer of the Conversion Shares;
- (iii) the Company delivering to Penta Investment a Bermuda legal opinion in form and content reasonably acceptable to Penta Investment; and
- (iv) the warranties given by the Company in the CN Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect as of the date of completion of the CN Subscription.

If any of the above conditions is not fulfilled (or waived, except in respect of the conditions referred to in (i) and (ii) above) on or before 30 April, 2006 (or such later date as the parties may agree), the CN Subscription Agreement will lapse.

The Conversion Shares issuable upon conversion of all or any part of the Notes will be issued and allotted pursuant to the General Mandate.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for the Notes to be listed on the Stock Exchange or on any other securities exchange.

Use of proceeds

The net proceeds of the issue of the Notes are estimated to be approximately HK\$15 million. The Group intends to apply the net proceeds as to approximately HK\$8 million to pay for the anticipated expenses in commencing a carnival business in Mainland China and staging the first show in Hainan province, the balance of approximately HK\$7 million as the Group's additional working capital. The expansion into the carnival business will represent a diversification from the Group's existing business of (i) construction, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and the PRC; (ii) property development and investment; and (iii) the operation of fitness clubs and the trading of fitness equipment.

The Company has not issued any equity securities in the 12 month period immediately preceding the date of this announcement.

The completion of the CN Subscription Agreement is not conditional upon the completion of the Placing or the completion of the Share Subscription Agreement.

EFFECTS ON SHAREHOLDING STRUCTURE BEFORE AND AFTER THE PLACING, THE SHARE SUBSCRIPTION AND FULL CONVERSION OF THE NOTES

	Before completion of Placing, Share Subscription and full conversion of the Notes (approximately)	Number of Shares and percentage of Shareholding After Placing but before Share Subscription and full conversion of the Notes (approximately)	After Placing and Share Subscription but before full conversion of the Notes (approximately)	After Placing, Share Subscription and full conversion of the Notes (approximately)
Sparta Assets	226,250,000 (45.55%)	211,250,000 (42.53%)	226,250,000 (44.22%)	226,250,000 (41.39%)
Mr. Tjia	35,584,400 (7.16%)	35,584,400 (7.16%)	35,584,400 (6.95%)	35,584,400 (6.51%)
Wang Ke Duan (Director)	268,960 (0.05%)	268,960 (0.05%)	268,960 (0.05%)	268,960 (0.05%)
Wang Jing Ning (Director)	11,839,600 (2.38%)	11,839,600 (2.38%)	11,839,600 (2.31%)	11,839,600 (2.17%)
Siu Man Po (Director)	180,000 (0.04%)	180,000 (0.04%)	180,000 (0.04%)	180,000 (0.03%)
Public:				
Penta Investment	–	15,000,000 (3.02%)	15,000,000 (2.93%)	50,000,000 (9.15%)
Other public shareholders	222,560,057 (44.82%)	222,560,057 (44.82%)	222,560,057 (43.50%)	222,560,057 (40.70%)
	<u>496,683,017</u> <u>100%</u>	<u>496,683,017</u> <u>100%</u>	<u>511,683,017</u> <u>100%</u>	<u>546,683,017</u> <u>100%</u>

Note: The above illustration assumes that (a) before completion of the Placing, and the Share Subscription and the full conversion of the Notes (i) no further Shares will be issued nor will any Shares be repurchased by the Company; and (ii) Sparta Assets and Penta Investment will not acquire further Shares or dispose of any Share, and that (b) the Notes will be converted in full at the initial Conversion Price of HK\$0.45 per Share.

REASONS FOR THE PLACING, THE SHARE SUBSCRIPTION AND THE ISSUE OF THE NOTES

The Directors consider that the Placing, the Share Subscription and the CN Subscription represent an appropriate opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company.

RESUMPTION OF TRADING OF SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 3 April, 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the Shares to resume trading as from 9:30 a.m. on 7 April, 2006.

DEFINITIONS

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

“associate”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors, or a duly authorized committee of the board of Directors
“CN Subscription”	the subscription of the Notes by Penta Investment under the CN Subscription Agreement
“CN Subscription Agreement”	the agreement dated 4 April, 2006 entered into between the Company and Penta Investment relating to the CN Subscription
“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
“Conversion Price”	HK\$0.45 (subject to adjustments), being the price at which each Conversion Share will be issued upon conversion of all or any part of the Notes
“Conversion Shares”	Shares to be issued upon conversion of the Notes
“Directors”	the directors of the Company
“General Mandate”	the general mandate to allot, issue and deal with 99,954,803 Shares granted to the Directors by a resolution passed at the annual general meeting of the Company held on 31 August, 2005

“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
“Independent Third Party”	a party which is independent of the Company and its subsidiaries and is not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries (or their respective associates) and which is not a connected person of the Company
“Last Trading Date”	31 March, 2006, being the last day on which Shares were traded on the Stock Exchange prior to the suspension in the trading of the Shares pending the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tjia”	Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman of the Company
“Notes”	convertible notes with an aggregate principal amount of HK\$15,750,000 which are to be issued by the Company pursuant to the CN Subscription Agreement, the principal terms of which are set out in the section headed “Principal terms of the Notes” of this announcement
“Penta Investment”	Penta Investment Advisers Limited, a company incorporated in the British Virgin islands with limited liability which is principally engaged in asset management
“Placing”	the placing of 15,000,000 Shares by Sparta Assets with Penta Investment pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 4 April, 2006 entered into between Sparta Assets and Penta Investment in relation to the Placing
“Placing Price”	HK\$0.34 per Share
“Placing Shares”	a total of 15,000,000 Shares beneficially owned by Sparta Assets to be placed with Penta Investment pursuant to the Placing Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share of HK\$0.10 each in the capital of the Company
“Share Subscription”	the subscription of 15,000,000 new Shares by Sparta Assets pursuant to the Share Subscription Agreement
“Share Subscription Agreement”	the conditional subscription agreement dated 4 April, 2006 entered into between the Company and Sparta Assets in relation to the Share Subscription
“Shareholder(s)”	holder(s) of Shares
“Sparta Assets”	Sparta Assets Limited, a company incorporated in the British Virgin Islands with limited liability; as at the date of this announcement, Sparta Assets holds Shares representing approximately 45.55% of the existing issued share capital of the Company, and is the controlling shareholder of the Company; Sparta Assets is wholly-owned by Mr. Tjia
“Subscription Price”	HK\$0.34 per Subscription Share
“Subscription Shares”	a total of 15,000,000 new Shares to be subscribed for by Sparta Assets pursuant to the Share Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 6 April, 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.