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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 AND DISCLOSEABLE TRANSACTION
ACQUISITION OF FURTHER INTEREST
IN A NON-WHOLLY OWNED SUBSIDIARY**

The Directors are pleased to announce that on 16 January 2007, Winsome, a wholly-owned subsidiary of the Company (as the purchaser) entered into the Agreement with Hainan Jingdu (as the vendor) in relation to the acquisition of the Sale Equity and the Shareholder's Loan at a total consideration of HK\$9,500,000. Upon Completion, Hainan Yahao will become a wholly-owned subsidiary of the Company and its financial information will continue to be consolidated in the Group's financial statements.

Hainan Yahao, a subsidiary of the Company, is owned as to 70% by Winsome. As Hainan Jingdu owns the remaining 30% equity interest in Hainan Yahao (being the Sale Equity), it is a connected person within the meaning of the Listing Rules and the Acquisition constitutes a connected transaction of the Company.

As each of the applicable percentage ratios of the Acquisition, when aggregated with the Winsome Acquisition which was completed within the last 12 months, is more than 2.5% but less than 25% and the total consideration involved is less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the Acquisition is exempted from the independent shareholders' approval requirement and is subject to the reporting and disclosure requirements in accordance with Rules 14A.45 to 14A.47 of the Listing Rules.

The Acquisition, when aggregated with the Winsome Acquisition which was completed within the last 12 months, also constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other matters, details of the Acquisition will be despatched to the Shareholders as soon as practicable.

THE AGREEMENT

Date

16 January 2007

The Purchaser

Winsome, a wholly-owned subsidiary of the Company, which holds a 70% equity interests in Hainan Yahao.

The Vendor

海南京都實業發展有限公司(Hainan Jingdu Business Development Limited*), a PRC limited liability company which, by virtue of its holding of the remaining 30% equity interest in Hainan Yahao (being the Sale Equity), a connected person of the Company within the meaning of the Listing Rules.

Assets to be acquired:

Pursuant to the Agreement, Winsome has conditionally agreed to purchase and Hainan Jingdu has conditionally agreed to sell the Sale Equity and the Shareholder's Loan at a total consideration of HK\$9,500,000. The Sale Equity represents a 30% equity interest in Hainan Yahao. Upon Completion, Hainan Jingdu shall assign the Shareholder's Loan to Winsome or such person(s) as it may direct.

Consideration

The total consideration payable by Winsome to Hainan Jingdu for the Sale Equity and the Shareholder's Loan is HK\$9,500,000, 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 Equity is HK\$2,000,000 and was determined after arm's length negotiations between the parties to the Agreement by reference to the unaudited net asset value of Hainan Yahao of RMB9,572,000 (approximately HK\$9,572,000) as at 31 December 2006 in accordance with the accounting principles generally accepted in the PRC and taking into account that the Sale Equity represents a minority stake in Hainan Yahao, a company already controlled by the Company. Upon Completion, Hainan Yahao will become a wholly-owned subsidiary of the Company and its financial information will continue to be consolidated in the Group's financial statements.

The consideration payable for the Loan Assignment is HK\$7,500,000 and is equivalent to the outstanding balance of the Shareholder's Loan as at the date of the Agreement. The Shareholder's Loan is an 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 as at the date of the Agreement.

Conditions

Completion of the Agreement is conditional upon the following conditions being fulfilled:

- (i) all approvals, consents and waivers required by any applicable law, rules, regulations or governmental, administrative or regulatory bodies necessary for the parties to consummate the Acquisition and the transactions contemplated or incidental to the Agreement having been obtained; and
- (ii) Hainan Jingdu having performed the covenants and undertakings required to be performed by it under the Agreement on or before the date of Completion.

In the event that the above conditions are not fulfilled or (in the case of the condition set out in (ii) above only) waived by the Purchaser in writing on or before 20 March 2007 (or such later date as may be agreed between the parties to the Acquisition), the Agreement shall lapse.

Completion

Completion shall take place on the third Business Day after the fulfillment of the above conditions, or such later date as the relevant parties may agree in writing prior to Completion. Completion is expected to take place no later than 31 March 2007.

INFORMATION ON HAINAN YAHAO

Hainan Yahao is a sino-foreign equity joint venture established in the PRC on 15 February 2006, which is currently owned as to 70% by Winsome and 30% by Hainan Jingdu. According to Hainan Yahao's business licence, its business scope includes tourism guest house management operations (including rental, sale and provision of after sale services) and tourism development.

The registered capital and total investment of Hainan Yahao are RMB10,000,000 (approximately HK\$10,000,000) and RMB20,000,000 (approximately HK\$20,000,000), respectively. The registered capital of Hainan Yahao has been fully paid up by its equity holders pursuant to their respective equity holdings in the registered capital in accordance with its articles: Winsome has paid RMB7,000,000 (approximately HK\$7,000,000) as its portion of the registered capital contribution to Hainan Yahao and Hainan Jingdu has paid the remaining proportion of the registered capital contribution to Hainan Yahao. The financial information of Hainan Yahao has already been consolidated into the Group's financial statements and based on the unaudited financial information of Hainan Yahao prepared in accordance with the accounting principles generally accepted in the PRC, the net loss of Hainan Yahao from 15 February 2006 (the date of its incorporation) to 31 December 2006 is RMB427,945.16. Upon Completion, Hainan Yahao will become a wholly-owned subsidiary of the Company and its financial information will continue to be consolidated in the Group's financial statements. The principal asset of Hainan Yahao is its entire interest in Hotel Lidu (formerly known as 海南奧斯羅克大酒店 (Hotel Osroc*)), which is a hotel located in Haikou, Hainan Province.

REASONS OF 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 club and trading of fitness equipment.

The Company announced on 10 March 2006 that a wholly-owned subsidiary of the Company had on 7 March 2006 entered into an agreement in relation to its acquisition of the entire issued share capital of Winsome and the obligation to contribute a loan to Winsome (the "Winsome Acquisition"). The Winsome Acquisition was completed on 1 April 2006, following which Winsome became a wholly-owned subsidiary of the Company.

Hainan Yahao is 70% owned by Winsome and will become a wholly-owned subsidiary of the Company upon Completion whereupon the Company will be able to exercise complete control over Hainan Yahao and thus the operations and business development of the hotel business operated by Hainan Yahao at Hotel Lidu, which is wholly-owned by Hainan Yahao. Hotel Lidu 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 208 guest rooms and suites with a gross floor area of 22,739.05 m². Hotel Lidu is currently under renovation, which is expected to be completed before the end of 2007. In view of the great potential which Hainan province has as an upscale tourist destination, the Group intends to make use of the Acquisition to further participate in the hotel business in Hainan, as they consider the growth prospects of this business to be promising.

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

LISTING RULES IMPLICATIONS

Hainan Yahao is owned as to 70% by Winsome and hence a non-wholly owned subsidiary of the Company. As Hainan Jingdu owns the remaining 30% equity interest in Hainan Yahao (being the Sale Equity), it is a connected person within the meaning of the Listing Rules and the Acquisition constitutes a connected transaction of the Company.

As each of the applicable percentage ratios of the Acquisition, when aggregated with the Winsome Acquisition which was completed within the last 12 months, is more than 2.5% but less than 25% and the total consideration involved is less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the Acquisition is exempted from the independent shareholders' approval requirement and is subject to the reporting and disclosure requirements in accordance with Rules 14A.45 to 14A.47 of the Listing Rules.

When aggregated with the Winsome Acquisition which was completed within the last 12 months, the Acquisition also constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other matters, details of the Acquisition will be despatched to the Shareholders as soon as practicable.

DEFINITIONS OF TERMS USED IN THIS ANNOUNCEMENT

“Acquisition”	the acquisition of the Sale Equity by Winsome and the Loan Assignment
“Agreement”	the sale and purchase agreement dated 16 January 2007 entered into between Winsome and Hainan Jingdu in relation to the Acquisition
“Board”	the board of Directors
“Business Days”	any day (other than Saturday, Sunday, a public holiday) on which banks in the PRC are open for business
“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”	completion of the Agreement pursuant to the terms of the Agreement
“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 Jingdu”	海南京都實業發展有限公司(Hainan Jingdu Business Development Limited*), a limited liability company incorporated in the PRC which is wholly-owned by a PRC citizen
“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 which is owned as to 70% by Winsome and as to 30% by Hainan Jingdu as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Hotel Lidu”	海南麗都假日酒店(Hotel Lidu*), formerly known as 海南奧斯羅克大酒店 (Hotel Osroc*)
“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 Hainan Jingdu (as assignor), Winsome (as assignee) and Hainan Yahao
“PRC”	the People's Republic of China

“Sale Equity”	the 30% equity interest in Hainan Yahao currently held by Hainan Jingdu
“Shareholder’s Loan”	the shareholder’s loan due and owing by Hainan Yahao to Hainan Jingdu without interest as at the date of the Agreement
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Winsome”	Winsome Properties Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“m ² ”	square metre
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“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: RMB100 = HK\$100

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

Hong Kong, 17 January 2007

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.

* *for identification purposes only.*

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