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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
IN RELATION TO FORMATION OF
A JOINT VENTURE COMPANY**

The Board is pleased to announce that on 6 May 2009, Deson BVI entered into a Shareholders Agreement with Skill Achieve pursuant to which the parties thereto agreed to, inter alia, form a JV Company, the issued share capital of which will be owned as to 70% by Skill Achieve and as to 30% by Deson BVI. The JV Company will invest in a 10% equity interest in the Reorganized ZJC.

As the applicable percentage ratios exceed 5% but are less than 25%, entering into the Shareholders Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

THE SHAREHOLDERS AGREEMENT

Date

6 May 2009

Parties to the Shareholders Agreement

(i) Deson BVI

(ii) Skill Achieve

To the best knowledge of the Directors having made all reasonable enquiries, Skill Achieve is independent of, and not connected with, the Company or any of its connected persons and is not itself a connected person of the Company, save that (i) one of its directors (namely, Wang Jing Ning) is a director of the Company; and (ii) another one of its directors holds a 20% shareholding interest in an

indirect non-wholly owned subsidiary of the Company, although neither has any beneficial shareholding interest in Skill Achieve.

Shareholdings in the JV Company

The JV Company has an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, of which 2 shares were issued to Deson BVI following incorporation. Immediately after the execution of the Shareholders Agreement and as agreed thereunder, 1 additional ordinary share of the JV Company was issued to and subscribed for at par by Deson BVI and 7 new ordinary shares were issued to and subscribed for at par by Skill Achieve, such that the shareholding interest of Deson BVI and Skill Achieve in the JV Company became 30% and 70% respectively.

Shareholder's loan

So as to fund the JV Company's investment in a 10% equity interest in the Reorganized ZJC, the parties to the Shareholders Agreement have agreed to advance shareholder's loans to the JV Company in proportion to their respective shareholdings in the JV Company. Accordingly, Deson BVI shall advance the total sum of RMB24 million (equivalent to approximately HK\$27.2 million), and Skill Achieve shall advance the total sum of RMB56 million (equivalent to approximately HK\$63.6 million), to the JV Company, in each case in tranches at intervals designed to enable the JV Company to fund its capital contribution in the aggregate sum of RMB60 million (approximately HK\$68.2 million), which is required to be paid in stages by the JV Company to ZJC under the Framework Agreement and the Capital Contribution Agreement.

The respective subscription payments and shareholder's loans were determined pursuant to arm's length negotiations between Deson BVI and Skill Achieve based on the funding requirements of the JV Company.

Scope of business of the JV Company

The JV Company was incorporated in September 2006 and since then has not commenced any business. Pursuant to the Shareholders Agreement, the parties have agreed that the JV Company shall invest in a 10% equity interest in the Reorganized ZJC pursuant to the Framework Agreement and the Capital Contribution Agreement which the parties expect will be executed by the JV Company and ZJC in the near future.

ZJC is a state-owned company established in the PRC in 1998. It is principally engaged in the businesses of construction investment management and construction contracting in the PRC as a main contractor. Over the years, ZJC has also engaged in overseas project management, building construction, production of construction materials, property development, investment and vocational education.

To the best knowledge of the Directors having made all reasonable enquiries, save for its indirect 45% shareholding in a 49% owned associated company of the Company, ZJC is a company independent of, and not connected with the Company or any of its connected persons, and is not itself a connected person of the Company.

Board Composition

The board of directors of the JV Company will consist of 3 directors, of which 1 director shall be nominated by Deson BVI and the other 2 directors shall be nominated by Skill Achieve.

Call Option

Skill Achieve has granted an option to Deson BVI to purchase from Skill Achieve up to 40% of the issued share capital in, and the corresponding portion of the shareholder's loan advanced by Skill Achieve to the JV Company, to be exercised, at the absolute discretion of Deson BVI, in full or in part(s) within 3 years from the date of the Shareholders Agreement, at a consideration equal to the principal amount of the relevant portion of the shareholder's loan advanced by Skill Achieve to the JV Company together with interest at the rate of the prime lending rate (as quoted by the People's Bank of China from time to time for 1 to 3 years' RMB loans) plus 1%.

INFORMATION ON THE GROUP

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 services, mainly in Hong Kong and the PRC; (ii) the property development and investment; and (iii) the trading of medical equipment and provision of related installation and maintenance services.

INFORMATION ON SKILL ACHIEVE

Skill Achieve is a company incorporated with limited liability in Hong Kong, whose main businesses include, inter alia, investment.

FINANCIAL EFFECTS OF FORMING THE JV COMPANY

The Group shall satisfy the shareholder's loan in the total sum of RMB24 million (equivalent to approximately HK\$27.2 million) by its internal resources. The funding requirement for advancing the shareholder's loan is not expected to have any material impact on the Company.

As Deson BVI will own 30% of shareholding in the JV Company, such 30% shareholding will be recorded in the Group's accounts as interests in associate.

REASONS FOR AND BENEFIT OF FORMING THE JV COMPANY

The Company intends to strengthen its construction contracting and property development businesses in the PRC through its investment in the JV Company and, through the JV Company, the Reorganized ZJC.

The Board considers that the Company's investment in the JV Company and the Reorganized ZJC will enhance the future growth of the Group, as ZJC has extensive experience and resources in the construction business within PRC and in overseas countries, such as in the Asia Pacific regions, Africa and the Middle East.

Taking into account the factors stated above, the Directors consider that the terms of the Shareholders Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless otherwise require.

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Contribution Agreement”	the capital contribution agreement to be negotiated and entered into between the JV Company and ZJC, stipulating the detailed terms and conditions relating to the JV Company's investment in a 10% equity interest in the Reorganized ZJC
“Company”	Deson Development International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the share of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Deson BVI”	Deson Development Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Framework Agreement”	the framework agreement to be entered into between the JV Company and ZJC stipulating preliminary terms and conditions relating to the JV Company's investment in a 10% equity interest in the Reorganized ZJC
“Group”	the Company and its subsidiaries

“JV Company”	Deson Development International Holdings Investment Ltd., a company incorporated in Hong Kong with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Reorganized ZJC”	ZJC as reorganized under a reorganization scheme resulting in (i) ZJC’s transformation from a state-owned enterprise into a sino-foreign joint venture; (ii) the proposed total registered capital of the Reorganized ZJC being RMB600 million (which may be increased to RMB800 million); and (iii) the shareholding structure of the Reorganized ZJC being 70% state-owned, 10% owned by a PRC enterprise; 10% owned by the JV Company; and 10% owned by another non-PRC entity. To the best knowledge of the Directors having made all reasonable enquiries, the aforementioned PRC enterprise and non-PRC entity proposed to each own a 10% equity interest in the Reorganized ZJC are independent of, and not connected with, the Company or any of its connected persons, and are not themselves connected persons of the Company
“Shareholders”	holders of the shares of the Company
“Shareholders Agreement”	the shareholders agreement dated 6 May 2009 made between Deson BVI and Skill Achieve, relating to the formation of the JV Company, the shareholding of which shall be owned as to 30% by Deson BVI and 70% by Skill Achieve
“Skill Achieve”	Skill Achieve Investments Limited, a company incorporated in Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“ZJC”	Zhejiang Construction Investment Group Company Limited (浙江省建設投資集團有限公司), a state-owned enterprise in the PRC
“%”	per cent

Unless otherwise specified in this announcement, amounts denominated in RMB have been translated, for the purpose of illustration only, into HK\$ at exchange rates of RMB0.88 = HK\$1.

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

Hong Kong, 6 May 2009

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 and Mr. Keung Kwok Cheung, 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.*