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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)

**INSIDE INFORMATION
PROPOSED SPIN-OFF OF CONSTRUCTION AND
ENGINEERING CONTRACTING BUSINESS
AND
DISCLOSEABLE TRANSACTION
DEEMED DISPOSAL OF 9.9% EQUITY INTERESTS IN AN INDIRECT
WHOLLY-OWNED SUBSIDIARY OF THE COMPANY**

**PROPOSED SPIN-OFF OF THE CONSTRUCTION AND ENGINEERING CONTRACTING
BUSINESS**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to announce that the Group is currently evaluating its business model and strives to optimise its business portfolio. The Group is currently considering to restructure its Construction and Engineering Contracting Business and explore the possibility of a separate listing of the shares of Deson Construction International Holdings Limited, a wholly-owned indirect subsidiary of the Company, which is proposed to be the new holding company of the Construction and Engineering Group, with the goal of completing the Spin-off Proposal by the end of 2014, if the market conditions permit and the relevant regulatory approval (including but not limited to the Stock Exchange's approval) is obtained. Further announcements will be made by the Company as and when the Board decides to proceed with the Spin-off Proposal.

* For identification purpose only

THE SUBSCRIPTION

As part of the restructuring, on 1 August 2014, LVL, an indirect wholly-owned subsidiary of the Company, which is proposed to be a subsidiary of Deson Construction International Holdings Limited and to act as the intermediate holding company of the Construction and Engineering Group, issued and allotted shares representing approximately 9.9% of its enlarged issued share capital at a total subscription amount of HK\$12.45 million to the Subscriber, a strategic investor who is independent of and is not a connected person of the Company. Immediately after completion of the Subscription, LVL is owned as to approximately 90.1% by the Company and 9.9% by the Subscriber. It is expected that the estimated net proceeds from the Subscription of approximately HK\$12.10 will be contributed towards restructuring and listing expenses to facilitate the restructuring of the Construction and Engineering Group, which is considered to be in the interest of the Company and its shareholders as a whole.

Listing Rules Implications

As one or more of the applicable percentage ratios in respect of the Subscription as calculated under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

As at the date of this announcement, there is no definite timetable or execution plan with respect to the restructuring and the Spin-off Proposal which may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

PROPOSED SPIN-OFF OF CONSTRUCTION AND ENGINEERING CONTRACTING BUSINESS

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The Board is pleased to announce that the Group is currently evaluating its business model and strives to optimise its business portfolio. The Group is currently considering to restructure its Construction and Engineering Contracting Business and explore the possibility of a separate listing of the shares of Deson Construction International Holdings Limited, a wholly-owned indirect subsidiary of the Company, which is proposed to be the new holding company of the Construction and Engineering Group, with the goal of completing the Spin-off Proposal by the end of 2014, if the market conditions permit and the relevant regulatory approval (including but not limited to the Stock Exchange's approval) is obtained. Further announcements will be made by the Company as and when the Board decides to proceed with the Spin-off Proposal.

THE SUBSCRIPTION

As part of the restructuring, on 1 August 2014, LVL, an indirect wholly-owned subsidiary of the Company, which is proposed to be a subsidiary of Deson Construction International Holdings Limited and to act as the intermediate holding company of the Construction and Engineering Group, issued and allotted shares representing approximately 9.9% of its enlarged issued share capital at a total subscription amount of HK\$12.45 million to the Subscriber who is independent of and is not a connected person of the Company.

Principal terms of the Subscription Agreement

Date: 1 August 2014

Parties: (1) LVL, an indirect wholly-owned subsidiary of the Company prior to the Completion; and
(2) the Subscriber.

To the best of the knowledge, information and belief and having made all reasonable enquiry, the Subscriber is third party independent of the Company and its connected persons.

Subject matter: Pursuant to the Subscription Agreement, LVL agreed to issue and allot and the Subscriber agreed to subscribe for 99 ordinary shares of US\$1.00 in LVL, representing 9.9% of the enlarged issued share capital of LVL upon Completion.

LVL has undertaken to the Subscriber to, among others, complete the restructuring within twelve (12) months from the Completion Date so that upon completion of the restructuring, LVL will hold, directly or indirectly all operating companies involved in the Construction and Engineering Contracting Business.

The Subscriber further irrevocably and unconditionally undertakes to LVL that, amongst others, at any time prior to the separate listing of the shares of LVL or its holding company on a recognised stock exchange, unless otherwise agreed in writing by Deson Development Holdings Limited, the Subscriber shall not transfer the shares in LVL or the shares in the holding company of LVL held by the Subscriber (or any interest in such shares) to any third party unless the first right of refusal is given to Deson Development Holdings Limited, a direct wholly-owned subsidiary of the Company which holds 90.1% interest in LVL after Completion.

Consideration: The subscription amount received by LVL from the Subscriber was HK\$12.45 million.

The abovementioned aggregate subscription amount was determined after arm's length negotiation between LVL and the Subscriber on normal commercial terms with reference to (i) the unaudited combined profits of the Construction and Engineering Group for the year ended 31 March 2014; (ii) the major construction licenses held by the Construction and Engineering Group (details of which are included in the annual report of the Company for the year ended 31 March 2014 under the "Prospect" section); and (iii) the future prospect of the construction industry in Hong Kong.

Payment Terms: The subscription amount was fully paid in cash by the Subscriber to LVL on Completion.

Completion: Completion of the Subscription Agreement took place on the same day of the signing of the Subscription Agreement.

Upon completion, the Subscriber shall be entitled to the rights to all dividends declared and all other rights attached, accrued or accruing to the 99 ordinary shares of US\$1.00 in LVL subscribed by the Subscriber, from and after the Completion Date (other than any dividends declared by LVL after the Completion Date which arise as part of the restructuring of the Construction and Engineering Group).

Reasons for and Benefits of the Subscription and Use of Proceeds

It is currently anticipated that, pursuant to the restructuring, LVL will act as the intermediate holding company of all entities involved in the Construction and Engineering Contracting Business. Shares in LVL will ultimately be held by Deson Construction International Holdings Limited, which shares will be listed on a recognised stock exchange, subject to obtaining the relevant regulatory approval.

It is expected that the estimated net proceeds from the Subscription of approximately HK\$12.10 million will be contributed towards restructuring and listing expenses to facilitate the restructuring of the Construction and Engineering Group, which is considered to be in the interest of the Company and its shareholders as a whole.

In view of the above and the expected gain of approximately HK\$9.2 million (based on the management accounts of the Construction and Engineering Group, subject to audit) that would arise as a result of the Subscription and on the assumption that the restructuring of the Construction and Engineering Group is completed, the Directors (including the independent non-executive Directors) are of the view that the Subscription that the terms of Subscription Agreement as a whole are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Information on LVL

LVL is a company incorporated in the British Virgin Islands. The principal business activity of LVL is investment holding.

As LVL is newly incorporated in June 2014, it has yet to be required under the applicable laws to prepare any audited accounts. However, assuming the restructuring of the Construction and Engineering Group is completed, the unaudited combined profit before taxation and the unaudited combined profit after taxation of the Construction and Engineering Group for the year ended 31 March 2013 and 31 March 2014 based on management accounts of the Group, which were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, were as follows:

	For the year ended 31 March 2013	For the year ended 31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	10,271	20,120
Profit after taxation	7,138	15,752

The unaudited combined net asset value of the Construction and Engineering Group as at 31 March 2014 based on the management accounts of the Group were approximately HK\$255,718,000 (subject to audit).

Financial Effect of the Subscription

Immediately after Completion of the Subscription, LVL is owned as to approximately 90.1% by the Company through Deson Development Holdings Limited, a direct wholly-owned subsidiary of the Company. Upon completion of the restructuring of the Construction and Engineering Group, the financial results of LVL and the Construction and Engineering Group will continue to be consolidated in the financial statements of the Company in the financial year ending 31 March 2015.

Assuming that the restructuring of the Construction and Engineering Group is completed, based on the management accounts of the Group as at 31 March 2014, it is expected that, in respect of the Subscription, the Group will record a gain of approximately HK\$9.2 million (subject to audit), which is calculated with reference to the subscription amount received by LVL for the Subscription less the aggregate of 9.9% of the combined net asset value of the Construction and Engineering Group as at 31 March 2014 as well as the related professional fees and other expenses incurred and estimated to be incurred and (i) possible capitalisation/special dividend from LVL to Deson Development Holdings Limited and (ii) the transfer of Properties from Construction and Engineering Group to Grand On Enterprise Limited, a wholly-owned indirect subsidiary of the Company not forming part of Construction and Engineering Group, immediately before listing of the Construction and Engineering Group. The actual gain on the Subscription to be recorded by the Group is subject to audit.

Information on the Group

The Group is principally engaged in (i) the construction business as a main contractor and decoration, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong and Mainland China; (ii) property development and investment; and (iii) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services.

Information on the Subscriber

The Company has been informed by the Subscriber that it is a private limited company incorporated in the British Virgin Islands and is currently an investment holding company. The Subscriber is wholly-owned by Capital VC Limited (Stock Code: 2324), an investment company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange. Capital VC Limited's primary investment objective is to achieve earnings in the form of short to medium term (i.e. less than five years), capital appreciation as well as income from interest and dividends by investing in listed and unlisted companies mainly in Hong Kong and the PRC.

Listing Rules Implications

As one or more of the applicable percentage ratios in respect of the Subscription as calculated under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

As at the date of this announcement, there is no definite timetable or execution plan with respect to the restructuring and the Spin-off Proposal which may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors;
“Company”	Deson Development International Holdings Limited (Stock Code: 262), 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 Subscription on the Completion Date pursuant to the terms and conditions as stipulated in the Subscription Agreement;
“Completion Date”	the date of Completion;

“connected person(s)”	has the meaning ascribed to such term under the Listing Rules;
“Construction and Engineering Contracting Business”	the construction and engineering contracting business of the Group, where the Group acts as a contractor in the provision of (a) building construction mainly in Hong Kong; (b) electrical and mechanical engineering works services mainly in Hong Kong; and (c) alterations, addition, renovation, refurbishment and fitting-out work services in Hong Kong and the PRC;
“Construction and Engineering Group”	Deson Construction International Holdings Limited and its proposed subsidiaries (being those subsidiaries of the Group that are involved in the Construction and Engineering Contracting Business, including LVL);
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LVL”	Latest Ventures Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company prior to Completion;
“PRC”	People’s Republic of China;
“Properties”	the whole of 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Subscriber”	Huge Energy Holdings Limited, a limited liability company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of Capital VC Limited (Stock Code: 2324), to the best of the knowledge, information and belief and having made all reasonable enquiry, being a third party independent of the Company and its connected persons;
“Subscription”	the subscription of 99 ordinary shares of US\$1.00 each representing approximately 9.9% of the enlarged issued share capital of LVL upon Completion by the Subscriber;

“Subscription Agreement”	the agreement for the Subscription dated 1 August 2014 entered into between LVL and the Subscriber;
“Spin-off Proposal”	the proposed spin-off of the Construction and Engineering Contracting Business of the Group through a separate listing of the shares of Deson Construction International Holdings Limited, which is proposed to be the new holding company of the Construction and Engineering Group;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“US\$”	United States dollar, the lawful currency of the United States; and
“%”	per cent.

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

Hong Kong, 1 August 2014

As at the date of this announcement, the executive Directors of the Company are Mr. Lu Quanzhang, Mr. Tjia Boen Sien, Mr. Wang Jing Ning and Mr. Keung Kwok Cheung, the non-executive Director of the Company is Mr. Wong Shing Kay, Oliver and the independent non-executive Directors of the Company are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Siu Kam Chau.