
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Deson Development International Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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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)

**SCRIP DIVIDEND SCHEME
IN RELATION TO
THE FINAL DIVIDEND
FOR THE YEAR ENDED 31 MARCH 2011**

* *For identification purpose only*

DEFINITIONS

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

“Board”	the board of Directors or a duly authorised committee of the board of Directors;
“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;
“Directors”	the directors of the Company;
“Eligible Shareholders”	Shareholders whose names were shown on the register of members of the Company at the close of business on the Record Date;
“Final Dividend”	the final dividend of the Company of HK3.2 cents per Share for the year ended 31 March 2011 to be paid with a scrip option to the Shareholders whose names were shown on the register of members of the Company at the close of business on the Record Date;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$” and “HK cents”	dollars and cents in the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Overseas Shareholder”	Shareholders whose registered addresses as shown on the register of members of the Company at the close of business on the Record Date were outside Hong Kong;
“PRC”	the People’s Republic of China;
“Record Date”	Thursday, 18 August 2011;
“Scrip Dividend Scheme”	the scheme proposed by the Directors on 29 June 2011 in relation to the Final Dividend pursuant to which the Eligible Shareholders will receive the Final Dividend wholly or partly by the allotment and issue of Scrip Shares credited as fully paid-up in lieu of cash payment;
“Scrip Shares”	the new Shares to be allotted, issued and credited as fully paid-up Shares under the Scrip Dividend Scheme;

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company;
“Shareholders”	holders of Shares; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Wang Ke Duan (*Chairman*)

Mr. Tjia Boen Sien

(Managing Director & Deputy Chairman)

Mr. Wang Jing Ning

Mr. Keung Kwok Cheung

Independent non-executive Directors:

Dr. Ho Chung Tai, Raymond

Mr. Siu Man Po

Mr. Wong Shing Kay, Oliver

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Principal Place of Business:

11th Floor, Nanyang Plaza

57 Hung To Road, Kwun Tong

Kowloon

Hong Kong

24 August 2011

To the Shareholders,

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED 31 MARCH 2011

INTRODUCTION

On 29 June 2011, the Board of the Company announced their recommendation of the payment of the Final Dividend to Shareholders whose names appear on the register of members of the Company on the Record Date equivalent to HK3.2 cents per Share with an alternative for the Shareholders to elect all or part of the Final Dividend in scrip form pursuant to the Scrip Dividend Scheme. At the annual general meeting held on 9 August 2011, the Final Dividend was approved.

The purpose of this document is to set out the procedures which apply in relation to the Scrip Dividend Scheme and the action which should be taken by Shareholders in relation thereto.

* *For identification purpose only*

LETTER FROM THE BOARD

DETAILS OF THE SCRIP DIVIDEND SCHEME

Under the Scrip Dividend Scheme, each Shareholder may elect to receive the Final Dividend in one of the following ways:

- (a) a cash dividend of HK3.2 cents per Share; or
- (b) an allotment of such number of Scrip Shares credited as fully paid-up and having an aggregate market value (calculated as described below), save for adjustment for fractions, equal to the total amount of the Final Dividend which such Shareholder would otherwise be entitled to receive in cash; or
- (c) partly in cash and partly in Scrip Shares.

The Scrip Shares will rank pari passu in all respects with the existing issued Shares except that they shall not rank for the Final Dividend.

BASIS OF ALLOTMENT OF THE SCRIP SHARES

For the purpose of calculating the number of Scrip Shares to be allotted pursuant to the Scrip Dividend Scheme, the issue price of the Scrip Shares has been fixed at HK50 cents per Share (the “**Issue Price**”), which is calculated as an amount equal to 89% of the average closing price per Share as quoted on the Stock Exchange for the five consecutive trading days commencing from, and including, 12 August 2011. Accordingly, the number of Scrip Shares which the Eligible Shareholders are entitled to receive in respect of the Shares registered in their names on the Record Date will be calculated as follows:

$$\begin{array}{rcll} \text{Number of Scrip Shares to} & & \text{Number of Shares held} & \\ \text{be received (round down to} & = & \text{on the Record Date and} & \\ \text{the nearest whole number)} & & \text{elected for the Scrip Shares} & \times \frac{\text{HK3.2 cents}}{\text{HK50 cents (Issue Price)}} \end{array}$$

The number of Scrip Shares to be received by each Shareholder pursuant to his/her election will be rounded down to the nearest whole number of Scrip Shares. Fractional entitlements to Scrip Shares in respect of alternatives (b) and (c) above will not be issued to the Eligible Shareholders but will be disregarded and the benefit thereof will accrue to the Company. The last day on which Shareholders will be entitled to elect their desired form of receipt of the Final Dividend is 8 September 2011.

Scrip Shares issued to a Shareholder pursuant to an election to receive some or all of his/her Final Dividend in Scrip Shares may be allocated in odd lots (of fewer than a board lot of 5,000 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of Scrip Shares issued in odd lots. Shareholders should be aware that odd lots usually trade at a discount to the price of board lots.

LETTER FROM THE BOARD

ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give Shareholders the opportunity to increase their investment in the Company without incurring brokerage fee, stamp duty or dealing costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that the Shareholders do not elect to receive cash in lieu of Scrip Shares, in whole or in part, such cash as would otherwise have been paid to Shareholders will be retained for use as working capital by the Company.

EFFECT OF THE SCRIP DIVIDEND SCHEME

Based on 562,063,017 Shares in issue as at the close of business on the Record Date, if no elections for Scrip Shares were received, the total cash dividend payable by the Company would be approximately HK\$17.99 million. If all the Shareholders elect to receive their entitlements to the Final Dividend in the form of Scrip Shares, the maximum number of Scrip Shares to be issued would be 35,972,033 Shares representing approximately 6.40% of the existing issued share capital of the company and approximately 6.02% of the then issued share capital of the Company as enlarged by the issue of the Scrip Shares.

Shareholders should note that the Scrip Shares to be issued pursuant to the Scrip Dividend Scheme may give rise to notification requirements under the SFO for those Shareholders who may have notifiable interests under the SFO (being, except in relation to the Directors, 5% or more interest in the issued share capital of the Company). **Shareholders who are in any doubt as to how these provisions may affect them as a result of the Scrip Shares received pursuant to the Scrip Dividend Scheme are recommended to seek their own professional advice.**

The Company, being an exempted company incorporated in Bermuda, has been designated as non-resident for Bermuda exchange control purposes and has been granted an assurance by the Minister of Finance in Bermuda under The Exempted Undertakings Tax Protection Act 1966. Accordingly, no Bermuda withholding tax on dividends or scrip dividends, nor any Bermuda tax computed on profits or income or on any capital assets, gain or appreciation will be payable by the Company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to Shares, debentures or other obligations of the Company held by non-residents of Bermuda, provided that such exemption shall not prevent the application of any such tax or duty to such persons as are ordinarily resident in Bermuda and shall not prevent the application of any tax payable in accordance with the provisions of the Land Tax Act 1967 or otherwise payable in relation to land in Bermuda leased to the Company.

LETTER FROM THE BOARD

FORM OF ELECTION

A form of election is enclosed with this circular for use by Eligible Shareholders who wish to receive the Final Dividend wholly or partly in Scrip Shares.

If you wish to receive the Final Dividend wholly in cash, you need not complete the form of election.

If you wish to receive the Final Dividend wholly in Scrip Shares, or partly in cash and partly in Scrip Shares, you MUST COMPLETE, SIGN and RETURN the enclosed form of election.

If you complete the form of election, but do not specify the number of Shares in respect of which you wish to receive Scrip Shares under the Scrip Dividend Scheme, or if you elect to receive Scrip Shares in respect of a greater number of Shares than your registered shareholding on the Record Date, you will be deemed to have exercised your election to receive Scrip Shares in respect of all the Shares of which you were then registered as the holder.

The form of election should be completed in accordance with the instructions printed thereon and returned to the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 8 September 2011. Elections in respect of the Final Dividend cannot be in any way withdrawn, revoked, superseded or altered after the relevant forms of election are signed and lodged with the Company's Branch Share Registrar. No acknowledgment of receipt of the form of election will be issued.

OVERSEAS SHAREHOLDER

This circular will not be registered or filed under the securities laws or equivalent legislation of any jurisdiction. If you are resident outside Hong Kong, this circular only constitutes an invitation to subscribe for Scrip Shares if such an invitation can be legally made to you without the Company having to meet any legal or registration requirements outside Hong Kong. Shareholders residing in a jurisdiction where it would be illegal for the Company to make such an invitation will be deemed to have received this circular for information only.

Pursuant to Rule 13.36(2) of the Listing Rules, the Company has made enquiries with legal counsel in Canada regarding possible legal and regulatory restrictions in allowing such Overseas Shareholder to participate in the Scrip Dividend Scheme. The Board has been advised by the relevant local counsel that there are no restrictions or requirements on the issue of Scrip Shares to an Overseas Shareholder with registered address in Canada. Any Shareholder resident in Canada should consult its own advisors as to any restrictions on the resale of the Scrip Shares under applicable Canadian securities laws.

For the avoidance of doubt, the right to receive Scrip Shares is not transferable.

LETTER FROM THE BOARD

Notwithstanding the legal advice taken by the Company, it is the responsibility of anyone who wish to participate in the Scrip Dividend Scheme to satisfy themselves as to full observance of the laws of the relevant territory, including obtaining any governmental or other consents which may be required. Overseas Shareholders who are in doubt as to their position should consult their own professional advisers.

LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Scrip Shares to be issued pursuant to the Scrip Dividend Scheme. Subject to the said application being granted by the Stock Exchange, it is expected that share certificates for the Scrip Shares and/or cheques for cash dividend will be posted by ordinary mail to those entitled thereto at their own risk on or around Wednesday, 21 September 2011. Dealings in the Scrip Shares on the Stock Exchange are expected to commence on Friday, 23 September 2011 after despatch to Shareholders of the certificates for the Scrip Shares.

The primary listing of the existing Shares is on the Stock Exchange, and there is no official secondary listing of the existing Shares on any other stock exchange. No listing of, or permission to deal in, any of the existing Shares and/or Scrip Shares on any stock exchange other than the Stock Exchange is being or is proposed to be sought.

Dealings in the Scrip Shares may be settled through the Central Clearing and Settlement System and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

CONDITION OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme is conditional upon listing approval being granted by the Stock Exchange in respect of the Scrip Shares to be issued pursuant thereto. If this condition is not satisfied, the Scrip Dividend Scheme described in this circular will not become effective, the forms of election will be void and the Final Dividend will then be paid wholly in cash.

EXPECTED TIMETABLE

Despatch of Circular and form of election to
Eligible Shareholders Wednesday, 24 August 2011

Latest time for receipt of form of election Thursday, 8 September 2011

Despatch of dividend warrants and share certificates for
the Scrip Shares to Shareholders Wednesday, 21 September 2011

Commencement of dealing in the Scrip Shares Friday, 23 September 2011

LETTER FROM THE BOARD

RECOMMENDATION AND ADVICE

Whether or not it is to the Shareholders' advantage to receive Scrip Shares or cash, in whole or in part, depends upon their own individual circumstances. The effect on the tax position of any Shareholder will depend on that Shareholder's particular circumstances. If you are in any doubt as to any aspect of this circular, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers. Shareholders who are trustees are recommended to seek professional advice as to whether the choice to receive cash or Scrip Shares is within their powers and its effect having regard to the terms of the relevant trust instrument.

By Order of the Board
Tjia Boen Sien
Managing Director and Deputy Chairman