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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)

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION

DISPOSAL OF 100% OF THE EQUITY INTERESTS IN AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY AND THE ASSIGNMENT OF THE RELATED SHAREHOLDER'S LOAN

On 1 February 2013, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Equity Interests Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Equity Interests, representing 100% of the equity interests in Megafit Chengdu. On the same date, the Vendor entered into the Shareholder's Loan Assignment Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Shareholder's Loan.

The total consideration for the sale of the Equity Interests and the assignment of the Shareholder's Loan under the Equity Interests Purchase Agreement and the Shareholder's Loan Assignment Agreement is RMB56,452,670 (equivalent to approximately HK\$70,565,838).

As the applicable percentage ratios for the Transaction calculated pursuant to Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

1 THE EQUITY INTERESTS PURCHASE AGREEMENT

Date

1 February 2013

* For identification purpose only

The Vendor

友善(香港)投資有限公司, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company

The Purchaser

成都恒托商貿有限公司, a company incorporated in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its beneficial owners are third parties independent of the Company and connected persons of the Company.

Subject Matter

Pursuant to the Equity Interests Purchase Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Equity Interests, being 100% of the equity interests in Megafit Chengdu.

Consideration

The consideration for the sale of the Equity Interests is RMB33,814,269 (equivalent to approximately HK\$42,267,836). The consideration for the sale of the Equity Interests was agreed after arm's length negotiations between the Vendor and the Purchaser with reference to the various market factors as well as the historical earnings of Megafit Chengdu.

Payment of the Consideration

The consideration for the sale of the Equity Interests shall be payable in cash by the Purchaser to the Vendor in the following manner:

- (i) on the fifth Business Day after the signing of the Equity Interests Purchase Agreement, the Purchaser shall pay RMB2,000,000 to such bank account as designated by the Vendor;
- (ii) before 28 February 2013, the Purchaser shall deposit 10% of the consideration for the sale of the Equity Interests after deducting RMB2,000,000 into the Equity Interests Escrow Account;
- (iii) before 31 March 2013, the Purchaser shall deposit the remaining 90% of the consideration for the sale of the Equity Interests into the Equity Interests Escrow Account; and

(iv) within seven Business Days after the completion date of the sale of the Equity Interests, the Purchaser shall pay the Vendor the remaining of the consideration for the sale of the Equity Interests from the Equity Interests Escrow Account to such bank account as designated by the Vendor.

Conditions Precedent

Completion is conditional on the satisfaction (or waiver thereof upon the agreement between the Vendor and the Purchaser) of the following:

- (i) the Purchaser, the Vendor or Megafit Chengdu having obtained all the required approvals granted by the relevant PRC authorities;
- (ii) there being no breach by the Vendor of any relevant transaction agreements in relation to the sale of the Equity Interests;
- (iii) there being no breach by the Purchaser of any relevant transaction agreements in relation to the sale of the Equity Interests; and
- (iv) the completion of the applicable regulatory registration requirements within one month after the Purchaser, the Vendor or Megafit Chengdu has obtained all the required approvals by the relevant PRC authorities.

If the above conditions are not satisfied and/or waived on or before 31 May 2013 (or such other date as agreed in writing between the Vendor and the Purchaser), the Vendor or the Purchaser may terminate the Equity Interests Purchase Agreement by giving a notice in writing to the other party.

Completion

Completion of the sale of the Equity Interests shall take place on the second Business Day after the giving of the notice of the satisfaction or waiver of the last condition to be satisfied or waived as set out above, or any other day as agreed in writing between the Vendor and the Purchaser.

2 THE SHAREHOLDER'S LOAN ASSIGNMENT AGREEMENT

Date

1 February 2013

The Vendor

友善(香港)投資有限公司

The Purchaser

成都恒托商貿有限公司

Subject Matter

Pursuant to the Shareholder's Loan Assignment Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Shareholder's Loan.

Consideration

The consideration for the assignment of the Shareholder's Loan is RMB22,638,401 (equivalent to approximately HK\$28,298,002). The consideration for the assignment of the Shareholder's Loan equals to the face value of the Shareholder's Loan.

Payment of the Consideration

The consideration for the assignment of the Shareholder's Loan shall be payable in cash by the Purchaser to the Vendor in the following manner:

- (i) before 28 February 2013, the Purchaser shall deposit 10% of the consideration for the assignment of the Shareholder's Loan into a bank account as designated by the Vendor;
- (ii) before 31 March 2013, the Purchaser shall deposit the remaining of the consideration for the assignment of the Shareholder's Loan into the Loan Escrow Account; and
- (iii) within seven Business Days after the completion date of the assignment of the Shareholder's Loan, the Purchaser shall pay the Vendor the remaining of the consideration for the assignment of the Shareholder's Loan from the Loan Escrow Account to such bank account as designated by the Vendor.

Conditions Precedent

Completion is conditional on the satisfaction (or waiver thereof upon the agreement between the Vendor and the Purchaser) of the following:

- (i) the Purchaser has paid the Vendor 100% of the consideration for the assignment of the Shareholder's Loan; and
- (ii) all the conditions set out in the Equity Interests Purchase Agreement have been satisfied or waived.

If the above conditions are not satisfied and/or waived on or before 31 May 2013 (or such other date as agreed in writing between the Vendor and the Purchaser), the Vendor or the Purchaser may terminate the Shareholder's Loan Assignment Agreement by giving a notice in writing to the other party.

Completion

Completion of the assignment of the Shareholder's Loan shall take place on the second Business Day after the giving of the notice of the satisfaction or waiver of the last condition to be satisfied or waived as set out above, or any other day as agreed in writing between the Vendor and the Purchaser.

3 INFORMATION ON MEGAFIT CHENGDU

Megafit Chengdu is company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the holding of investment properties. Its main assets are the premises located at 5th Floor (with a gross floor area of approximately 4,932.97 square meters) and 27th Floor (with a gross floor area of approximately 273.75 square meters), Top City, No. 1 Xiaokejia Lane, Jinjiang Area, Chengdu, Sichuan Province, the PRC.

Set out below is a summary of the key audited financial information of Megafit Chengdu for the two financial years ended 31 December 2010 and 31 December 2011, which has been prepared in accordance with the accounting policies in compliance with PRC accounting standards: –

	For the year ended	
	31 December	
	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss (before taxation and extraordinary items)	307	514
Net loss (after taxation and extraordinary items)	307	514

Based on the audited accounts of Megafit Chengdu, its audited net assets as at 31 December 2011 was approximately RMB4,796,000 (equivalent to approximately HK\$5,995,000).

4 INFORMATION ON THE GROUP AND THE PURCHASER

The Group is principally engaged in (i) the construction as a main contractor and decoration, as well as the provision of electrical and mechanical engineering services; (ii) property development and investment; and (iii) the trading of medical equipment and home security and automation products, and the provision of related installation and maintenance services. The Vendor is an indirect wholly-owned subsidiary of the Company and is a company incorporated in Hong Kong.

The Company has been informed by the Purchaser that its principal business is investment holding.

5 REASONS FOR THE TRANSACTION

The Directors consider that the disposal of the Equity Interests under the Transaction can realise a gain resulting from the increase in the value of Megafit Chengdu's property asset. The Directors also consider the Transaction to be beneficial to the Company based on the expected gain of approximately HK\$11,000,000 arising from the Transaction.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Equity Interests Purchase Agreement and the Shareholder's Loan Assignment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6 FINANCIAL EFFECT OF THE TRANSACTION

Upon completion of the Transaction, the Company will cease to have any interests in Megafit Chengdu and Megafit Chengdu will cease to be a subsidiary of the Company. The financial results of Megafit Chengdu will not be consolidated in the accounts of the Company.

Based on the management accounts of Megafit Chengdu as at 31 December 2012, it is expected that a gain of approximately HK\$11,000,000 would arise as a result of the Transaction, being the total consideration of the Transaction less the net asset value of Megafit Chengdu, as well as the related commission fee and professional fee.

7 USE OF PROCEEDS FROM THE TRANSACTION

It is presently intended that the estimated net proceeds from the Transaction of approximately HK\$61,000,000 will be used for general working capital purposes.

8 LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the Transaction calculated pursuant to Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

9 DEFINITIONS OF TERMS USED IN THIS ANNOUNCEMENT

“Board”	the board of Directors
“Business Days”	any days on which banks are open for business in the PRC or Hong Kong (excluding Saturday, Sunday and statutory public holiday of the PRC or Hong Kong)
“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
“Equity Interests”	100% of the equity interests in Megafit Chengdu
“Equity Interests Escrow Account”	the escrow bank account to be opened with a PRC bank by the Vendor and the Purchaser exclusively for the deposit of the consideration for the sale of the Equity Interests
“Equity Interests Escrow Agreement”	the escrow agreement in respect of the opening of the Equity Interests Escrow Account to be entered into by the Vendor, the Purchaser and a PRC bank
“Equity Interests Purchase Agreement”	the equity interests purchase agreement dated 1 February 2013 entered into between the Vendor and the Purchaser in relation to the sale of the Equity Interests
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loan Escrow Account”	the escrow bank account to be opened with a PRC bank by the Vendor and the Purchaser exclusively for the deposit of the consideration for the assignment of the Shareholder’s Loan
“Loan Escrow Agreement”	the escrow agreement in respect of the opening of the Loan Escrow Account to be entered into by the Vendor, the Purchaser and a PRC bank
“Megafit Chengdu”	美格菲(成都)康體發展有限公司, a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Purchaser”	成都恒托商貿有限公司, a company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Shareholder’s Loan”	the shareholder’s loan in the amount of RMB22,638,401 (equivalent to approximately HK\$28,298,002) owed by Megafit Chengdu to the Vendor as at the date of this announcement
“Shareholder’s Loan Assignment Agreement”	the shareholder’s loan assignment agreement dated 1 February 2013 entered into between the Vendor and the Purchaser in relation to the assignment of the Shareholder’s Loan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the sale of the Equity Interests and the assignment of the Shareholder’s Loan pursuant to the Equity Interests Purchase Agreement and the Shareholder’s Loan Assignment Agreement, respectively
“Vendor”	友善(香港)投資有限公司, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

For reference only, an exchange rate of HK\$1.00 to RMB0.8 has been used for the conversion of Renminbi into Hong Kong dollars in this announcement.

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

Hong Kong, 4 February 2013

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 independent non-executive Directors of the Company are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver.