
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)

**CONNECTED AND DISCLOSEABLE TRANSACTION
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF AN
INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY AND
THE RELATED SHAREHOLDER'S LOAN**

* For identification only

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DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 25 September 2007 entered into between the Vendor and the Purchaser in relation to the sale of Sale Shares and the Shareholder’s Loan
“Announcement”	the announcement dated 27 September 2007 issued by the Company
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company (as amended from time to time)
“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
“Disposal”	the disposal of the Sale Shares and the Shareholder’s Loan by the Vendor to the Purchaser pursuant to the terms of the Agreement
“Fitness Concept”	Fitness Concept Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Vendor before the Completion
“Fitness Concept Group”	Fitness Concept and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong

DEFINITIONS

“Latest Practicable Date”	16 October 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tjia”	Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman of the Company who personally and through a company controlled by him held approximately 46.21% of the issued shares of the Company at the Latest Practicable Date
“Purchaser”	Ideal Choice Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Tjia, a connected person of the Company
“Sale Shares”	11,611,111 shares representing the entire issued share capital of Fitness Concept held by the Vendor before Completion
“Shareholder’s Loan”	the shareholder’s loan due and owing by Fitness Concept to the Vendor before Completion which stood at HK\$76,749,269 as at the date of the Agreement
“Shareholders”	shareholders of the Company
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Grace Profit Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Company

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 and Deputy Chairman*)

Mr. Wang Jing Ning

Mr. Keung Kwok Cheung

Mr. Ong Chi King

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Independent non-executive Directors:

Dr. Ho Chung Tai, Raymond

Mr. Siu Man Po

Mr. Wong Shing Kay, Oliver

*Head office and principal place
of business in Hong Kong:*

11th Floor

Nanyang Plaza

57 Hung To Road

Kwun Tong

Kowloon

Hong Kong

18 October 2007

*To the Shareholders and for information only,
holders of outstanding share options issued by the Company*

Dear Sirs,

**CONNECTED AND DISCLOSEABLE TRANSACTION
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF AN
INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY AND
THE RELATED SHAREHOLDER'S LOAN**

INTRODUCTION

Reference is made to the Announcement in which the Board announced that on 25 September 2007, the Vendor, an indirectly wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser pursuant to which the Vendor agreed to sell the Sale Shares and the Shareholder's Loan to the Purchaser at a total consideration of HK\$6,000,000.

* *For identification only*

LETTER FROM THE BOARD

The Disposal constituted a connected and discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information regarding the Disposal and other information prescribed by the Listing Rules.

THE AGREEMENT

Date

25 September 2007

The Vendor

Grace Profit Investments Limited, a company incorporated in the British Virgin Islands and is indirectly wholly-owned by the Company.

The Purchaser

Ideal Choice Holdings Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Tjia, who is the Managing Director and Deputy Chairman and a substantial shareholder of the Company. The Purchaser is accordingly a connected person of the Company within the meaning of the Listing Rules.

The Sale Shares and the Shareholder's Loan

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the 11,611,111 shares of HK\$1.00 each, representing the entire issued share capital of Fitness Concept, together with the total amount owing by Fitness Concept to the Vendor as at Completion. As at the date of the Agreement, the amount of the Shareholder's Loan was HK\$76,749,269. The Shareholder's Loan was an interest free and unsecured loan repayable on demand.

Consideration

The total consideration payable by the Purchaser for the Sale Shares and the Shareholder's Loan was HK\$6,000,000, which was satisfied by way of cash in one lump sum on Completion. The consideration was determined by reference to the consolidated net liabilities of Fitness Concept Group and the Shareholder's Loan. The consolidated net liabilities of Fitness Concept Group were HK\$68,519,151 as at 31 March 2007, which have taken into account the liabilities represented by the Shareholder's Loan which stood at HK\$76,749,269 as at the date of the Agreement. The consideration of HK\$6,000,000 was the entire amount payable by the Purchaser in respect of not only the Sale Shares, but also the Shareholder's Loan. Had the Shareholder's Loan been excluded in calculating the net assets/liabilities of the Fitness Concept Group, the net assets value of Fitness Concept would have been HK\$8,230,118 as of 31 March 2007.

The Group intends to apply the sale proceeds from the Disposal as general working capital.

LETTER FROM THE BOARD

Completion

Completion took place on 30 September 2007, and Fitness Concept ceased to be an indirectly wholly-owned subsidiary of the Company since then.

INFORMATION ON FITNESS CONCEPT

Fitness Concept is a company incorporated in Hong Kong on 10 April 1985, which was wholly-owned by the Vendor before Completion. The principal business of Fitness Concept includes the operation of fitness centers, trading of fitness equipments and the provision of related installation and maintenance services.

INFORMATION ON THE GROUP AND THE PURCHASER

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 Purchaser is an investment holding company and has not carried on any business activity since its incorporation apart from entering into the Agreement.

REASONS FOR THE DISPOSAL

The Group some time ago diversified into in the business of the operation of fitness centers, trading of fitness equipments and the provision of related installation and maintenance services. As this line of fitness related services business of the Group had been continuing to operate at a loss, the Group had intended to dispose of this entire line of business, and the disposal of Fitness Concept was in line with the Group's business plan. After the Completion, the only business of the Group in relation to the operation of fitness centers and the trading of fitness equipments is that of 美格菲(成都)康體有限公司 (Megafit (Chengdu) Recreation Development Company Limited*), which is an indirectly wholly-owned subsidiary of the Company.

The losses before tax attributable to the Fitness Concept Group for the two financial years ended 31 March 2006 and 31 March 2007 were HK\$19,621,270.71 and HK\$17,631,994.45 respectively and the net losses for the year attributable to the Fitness Concept Group for the two financial years ended 31 March 2006 and 31 March 2007 were HK\$19,800,377.07 and HK\$17,590,707.09 respectively.

The expected loss of the Disposal to the Group is approximately HK\$2.2 million based on the consolidated net liabilities of Fitness Concept Group as at 31 March 2007, estimated transaction costs and the Shareholder's Loan owing by Fitness Concept to the Vendor of HK\$76,749,269 as at the date of the Agreement.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors, but excluding Mr. Tjia) considered the terms of the Agreement and the Disposal contemplated therein were on normal commercial terms and were fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Purchaser is wholly-owned by Mr. Tjia, who is the Managing Director and Deputy Chairman and a substantial shareholder of the Company, the Purchaser is a connected person of the Company within the meaning of the Listing Rules and the Disposal constituted a connected transaction of the Company.

As each of the applicable percentage ratios of the Disposal was more than 2.5% but less than 25% and the total consideration involved was less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the Disposal was exempted from the independent shareholders' approval requirement and was only subject to the reporting and disclosure requirements in accordance with Rules 14A.45 to 14A.47 of the Listing Rules.

The Disposal also constituted a discloseable transaction for the Company under the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By order of the Board of
DESON DEVELOPMENT
INTERNATIONAL HOLDINGS LIMITED
Ong Chi King
Executive Director and Company Secretary

A. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

B. DISCLOSURE OF INTERESTS

- (i) Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to the provisions under Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Sections 344 and 345 of the SFO) or the Model Code for Securities Transactions by Directors of Listed Companies, or which will have to be, pursuant to Section 352 of the SFO, entered in the register referred to herein:

Long positions in the shares

Name of Director	Capacity	Number of shares	Approximate percentage of the Company's issued share capital
Mr. Tjia	Interest by attribution (<i>Note 1</i>)	226,250,000	39.51%
	Beneficial Owner	38,389,400	6.70%
Mr. Wang Jing Ning	Beneficial Owner	12,839,600	2.24%
Mr. Wang Ke Duan	Beneficial Owner	268,960	0.05%
Mr. Siu Man Po	Beneficial Owner	180,000	0.03%

Note 1: These shares are held by Sparta Assets Limited ("Sparta Assets"), a company incorporated in the British Virgin Islands which is wholly owned by Mr. Tjia. Mr. Tjia is also a director of Sparta Assets.

Long positions in the underlying shares of the Company

Name	Capacity	Number of options	Exercise price HK\$	Exercise period
Dr. Ho Chung Tai, Raymond	Beneficial Owner	400,000	0.340	5 March 2006 to 4 March 2008
Mr. Siu Man Po	Beneficial Owner	400,000	0.340	5 March 2006 to 4 March 2008

- (ii) Save as disclosed below, the Directors or chief executive of the Company are not aware of any other person (other than a Director or chief executive whose interests are disclosed under (i) above) who, as at the Latest Practicable Date, had an interest or short position in the shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in the shares or underlying shares

Name of Shareholder	Capacity	Number of shares	Number of underlying shares (under equity derivatives of the Company)	Aggregate interest	Approximate percentage of the Company's issued share capital
Sparta Assets	Beneficial Owner	226,250,000	–	226,250,000	39.51%
Penta Investment Advisers Limited ("Penta") (Note 1)	Investment Manager	97,260,000	35,000,000	132,260,000	23.09%
Mr. John Zwaanstra (Note 2)	Interest by attribution	97,260,000	35,000,000	132,260,000	23.09%
Penta Japan Fund, Ltd. ("Penta Japan") (Note 3)	Interest by attribution	66,897,000	23,333,333	90,230,333	15.76%
Mr. Todd Zwaanstra (Note 4)	Trustee (other than a bare trustee)	66,897,000	23,333,333	90,230,333	15.76%
Mercurius GP LLC ("Mercurius") (Note 5)	Founder of a discretionary trust	66,897,000	23,333,333	90,230,333	15.76%

Note 1: These include (i) an interest in 97,260,000 Shares and (ii) a derivative interest in 35,000,000 shares.

Note 2: Mr. John Zwaanstra has declared the interest and derivative interest in the same shares in which Penta has declared the same interests as Penta is his controlled corporation.

Note 3: These include (i) an interest in 66,897,000 shares and (ii) a derivative interest in 23,333,333 shares.

Note 4: Mr. Todd Zwaanstra has declared the interest and derivative interest in the same shares in which Penta Japan has declared the same interests pursuant to his capacity as trustee of the Mercurius Partners Trust and as Penta Japan is his controlled corporation.

Note 5: Mercurius has declared the interest and derivative interest in the same shares in which Penta Japan has declared the same interests in its capacity as founder of Mercurius Partners Trust.

C. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors has entered into any existing or proposed service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

D. MATERIAL LITIGATION

As far as the Directors are aware, save as disclosed below in respect of the outstanding pending litigations as at the Latest Practicable Date, no member of the Group is engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

- (i) On 7 December 2006, legal proceedings were instituted against Kenworth Engineering Limited (“Kenworth”), a 100%-owned subsidiary of the Company, by Watfield Technology Limited (“Watfield”), in respect of Kenworth Watfield Joint Venture Limited, a joint venture established in Hong Kong which is owned as to 50% by Kenworth and as to 50% by Watfield (the “Joint Venture”). In its Statement of Claim, Watfield averred that Kenworth is in breach of the joint venture agreement dated 13 November 2003. In addition to the claim for damages as a result of the alleged breach by Kenworth, Watfield is seeking for the court’s declaration that (1) Watfield is entitled to have the loan of HK\$2,500,000 provided by Watfield to set off, as first priority, against its credit balance in the Joint Venture accounts; (2) Kenworth holds on trust for the Joint Venture and Watfield all monies received by the Joint Venture from Kaden-Leader-Kenworth Joint Venture, a consortium formed by Kaden Construction Limited, Leader Civil Engineering Corporation Limited and Kenworth (the “Consortium”); (3) Kenworth shall deliver all other necessary accounts and enquiries for tracing all monies received by the Joint Venture from the Consortium; (4) Kenworth was in breach of its duty towards Watfield by failing to render full information in respect of the financial affairs of the Joint Venture; and (5) Kenworth do forthwith render all books and accounts kept by the Joint Venture and full information in respect of the financial affairs of the Joint Venture.
- (ii) On 9 January 2007, legal proceedings were instituted against Watfield by Kenworth, in respect of the outstanding working capital to be provided by Watfield and a loan provided by Kenworth under a loan facility. In its Statement of Claim, Kenworth averred that Watfield has not paid 50% of the total working

capital in the sum of HK\$9,797,740.63 to the Joint Venture and Watfield owed Kenworth the amount of HK\$2,787,126.22 being the loan provided by Kenworth to Watfield under a loan facility for operation of the Joint Venture.

- (iii) On 7 December 2006, legal proceedings were instituted against Kenworth by Allied Electric Corporation Limited (“AEC”) in respect of the alleged work performed under a construction project. According to its Statement of Claim, AEC’s construction claims include outstanding payments, variation claims and claims in respect of loss and expenses in the total sum of HK\$19,673,246.57.

The Directors have obtained an advice letter dated 11 October 2007 from the Group’s legal counsel and:

- (a) in relation to proceedings (i), the Directors are of the view that Kenworth has a reasonable chance to successfully defend these proceedings and set-off the claims of Watfield against the payments that Kenworth has made in carrying out the construction works for the project to which these proceedings relate;
- (b) in relation to proceedings (ii), a default judgment has been obtained by Kenworth against Watfield in the sum of HK\$12,584,866.85 with interest, costs and further damages to be assessed. In view of the present status of the proceedings and the default judgment obtained by Kenworth, the Directors are of the view that Kenworth has a reasonable chance of recovering payments from Watfield;
- (c) in relation to proceedings (iii), from the information available, the Directors are of the view that Kenworth has a reasonable chance to successfully defend these proceedings.

E. COMPETING INTEREST

Save for the interests in the Fitness Concept Group held by Mr. Tjia following the Completion, as at the Latest Practicable Date, none of the Directors or their respective associates has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

As at the Latest Practicable Date, none of the Directors has any material interest in any contract or arrangement which is significant in relation to the business of the Group.

F. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 March 2007, being the date to which the latest audited financial statements of the Group were made up.

G. INTEREST IN ASSETS

Save as disclosed in this circular, none of the Directors has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to any member of the Group since 31 March 2007 (the date to which the latest published audited consolidated financial statements of the Group were made up to) or proposed to be so acquired, disposed of or leased.

H. GENERAL

- (i) The Company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12 Bermuda.
- (ii) The head office and principal place of business of the Company in Hong Kong is at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (iv) Mr. Ong Chi King is an executive director and the secretary of the Company. Mr. Ong holds a bachelor degree in Business Administration from the Hong Kong University of Science and Technology. He is a fellow of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- (v) Ms. Wong Ka Yan is the financial controller and qualified accountant of the Company. Ms. Wong holds a Bachelor degree in Commerce from the University of Adelaide, Australia and is a Certified Public Accountant of CPA Australia.
- (vi) The English text of this circular shall prevail over the Chinese text.

I. DOCUMENT FOR INSPECTION

A copy of the Agreement will be available for inspection during normal business hours at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong up to and including 1 November 2007.