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德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE ACQUISITION OF A 45.76% INTEREST IN
PAUL Y. ENGINEERING GROUP LIMITED**

ACQUISITION OF PYE

After trading hours of the Stock Exchange on 28th June, 2017, the Purchaser which is a direct wholly-owned subsidiary of the Company, as purchaser, the Vendor which is a wholly-owned subsidiary of The 13, as vendor, and The 13 as the Vendor's guarantor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares, representing approximately 45.76% of the entire issued share capital of PYE, from the Vendor at the Consideration of HK\$265,200,000.

On the same day of the Acquisition Agreement, Tycoon Bliss, which is a company wholly owned by Mr. Chan, as purchaser, the Vendor as vendor, and The 13 as the Vendor's guarantor entered into the Tycoon Agreement pursuant to which Tycoon Bliss has conditionally agreed to purchase approximately 6% of the entire issued share capital of PYE from the Vendor at a consideration of HK\$34,800,000.

Completion of the Acquisition Agreement and the Tycoon Agreement is not inter-conditional on each other.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purpose only

INTRODUCTION

On 27th April, 2017, the Company and The 13 entered into the MOU in respect of the sale and purchase of up to 51.6% of the entire issued share capital of PYE. Pursuant to the MOU, the Company has paid a refundable earnest money of HK\$30,000,000 to The 13. Subsequently, the Company and The 13 entered into the Supplemental MOUs to extend the expiry date of the MOU to 30th June, 2017. Pursuant to the Supplemental MOU dated 19th May, 2017, the Company has paid an additional refundable earnest money of HK\$30,000,000 to The 13 in order to show the Company's good faith in proceeding with the negotiation.

After trading hours of the Stock Exchange on 28th June, 2017, the Purchaser which is a direct wholly-owned subsidiary of the Company, as purchaser, the Vendor which is a wholly-owned subsidiary of The 13, as vendor, and The 13 as the Vendor's guarantor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares, representing approximately 45.76% of the entire issued share capital of PYE from the Vendor, at the Consideration of HK\$265,200,000.

Set out below are the principal terms of the Acquisition Agreement.

THE ACQUISITION AGREEMENT

(1) Date:

28th June, 2017

(2) Parties:

Purchaser: Precious Year Limited, a direct wholly-owned subsidiary of the Company whose principal activity is investment holding;

Vendor: The 13 (BVI) Limited, a wholly-owned subsidiary of The 13 whose principal activity is investment holding; and

Vendor's guarantor: The 13, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 577). The 13 is an investment holding company and its group companies are principally engaged in hotel development, the construction and engineering business.

As at the date of this announcement, the Group holds 101,985,600 The 13 Shares, representing approximately 11.07% of the total number of issued The 13 Shares, and The 13 in turn holds approximately 51.76% of the entire issued share capital of PYE. Mr. Chan, being an executive Director and the managing Director, is also an executive director and deputy chairman of PYE. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed herein, The 13 and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

(3) Assets to be acquired:

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares free from all encumbrances as at Completion together with all rights and benefits at any time accruing thereto after Completion. The Sale Shares, being 558,494,429 PYE Shares, represent approximately 45.76% of the entire issued share capital of PYE. Further information on the PYE Group is set out in the section headed “Information on the PYE Group” below.

(4) Consideration and payment terms:

The Consideration is HK\$265,200,000, which has been/shall be paid by the Purchaser to the Vendor in the following manner:

- (i) upon the signing of the Acquisition Agreement, the Vendor shall apply the Earnest Money in the sum of HK\$60,000,000 as part payment of the Initial Deposit and the Purchaser shall pay the balance of the Initial Deposit in the sum of HK\$46,000,000 to the Vendor within three (3) Business Days after the signing of the Acquisition Agreement. The Initial Deposit in aggregate amount of HK\$106,000,000 shall be applied as part payment of the Consideration upon Completion;
- (ii) upon the Purchaser’s satisfaction of the Due Diligence Review, the Purchaser shall pay to the Vendor the Further Deposit of HK\$53,000,000, which shall be applied as part payment of the Consideration upon Completion; and
- (iii) the balance of the Consideration in the sum of HK\$106,200,000 shall be paid upon Completion.

The Initial Deposit has been settled by internal resources of the Group. It is intended that the payment of the balance of the Consideration will also be financed by internal resources of the Group.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with reference to the unaudited consolidated net assets of the PYE Group of approximately HK\$878,461,000 as at 30th September, 2016, taking into account the discount of market capitalisation to the consolidated net assets of certain listed companies in Hong Kong engaged in construction and engineering businesses and the significant influence on PYE represented by the Sale Shares. The Consideration represents a discount of approximately 34% to the consolidated net assets of the PYE Group attributable to the Sale Shares and such discount is within the range of those of the aforesaid selected listed companies.

The Purchaser may, within thirty (30) days after the date of Completion and at its sole costs and expenses, instruct its auditors to prepare the audited consolidated financial statements of the PYE Group for the period from 1st February, 2017 to the date of Completion (the “**Audited Accounts**”) and the Audited Accounts shall be final, binding and conclusive on the parties. If the net asset value as shown in the Audited Accounts is less than the net asset value as shown in the unaudited consolidated management accounts of the PYE Group as at the date of Completion by more than

HK\$20,000,000, the Vendor shall pay to the Purchaser 45.76% of the total amount of such shortfall within seven (7) Business Days following the delivery of the Audited Accounts by the Vendor to the Purchaser or its solicitors.

(5) Conditions precedent:

Completion is conditional upon the fulfilment (or waiver, as the case may be) of the following conditions:

- (i) if required, the obtaining of the approval by the Shareholders (other than those who are required to abstain from voting under the Listing Rules, if any) of the entering into of the Acquisition Agreement and performance of all transactions contemplated thereunder by the Purchaser in compliance with the requirement of the Listing Rules;
- (ii) the obtaining of the approval by The 13 Shareholders (other than those who are required to abstain from voting under the Listing Rules, if any) of the entering into of the Acquisition Agreement and performance of all transactions contemplated thereunder by the Vendor in compliance with the requirements of the Listing Rules;
- (iii) the Share Charge having been absolutely released and discharged;
- (iv) the Vendor having proved that the PYE Group has good title to the properties owned by the PYE Group and the Purchaser having been satisfied with the Due Diligence Review;
- (v) all existing permits in respect of the operation of the business of the PYE Group remaining valid and subsisting;
- (vi) all necessary consents, authorisations and approvals (or waivers) having been obtained by the Vendor and the Purchaser for completion of the Acquisition Agreement;
- (vii) the representations and warranties given by the Vendor in the Acquisition Agreement being true, accurate and correct and not misleading;
- (viii) the Vendor and The 13 having performed all of their respective obligations under the Acquisition Agreement;
- (ix) no material adverse change on the conditions (financial or otherwise), business, property, earnings, results of operations, prospects and/or assets of the PYE Group, the ability of the Vendor and/or The 13 to perform their respective obligations under the Acquisition Agreement and the validity, legality or enforceability of the Acquisition Agreement or the rights or remedies of the Purchaser thereunder;
- (x) the Purchaser having received legal opinions dated the date of Completion relating to each of the Vendor, The 13 and the PYE Group, including but not limited to the establishment and existence in their respective places of incorporation, the validity of the permits necessary for the effective operations of the PYE Group's business and the due execution of the Acquisition Agreement;

- (xi) the Vendor and The 13 having (a) settled or procured the settlement of all interest accrued up to the date of Completion under The 13 Investments Loan Agreement; (b) executed or procured the execution of the security documents in such form and substance reasonably satisfactory to the Purchaser as security for all sums payable under The 13 Investments Loan Agreement; and (c) complied or procured the compliance of the terms of such security documents which are required to be complied with on or prior to Completion;
- (xii) The 13 having executed a guarantee in favour of the PYE Group in relation to the obligations of New Concordia under the Hotel Construction Contract; and
- (xiii) the Purchaser having provided The 13 with a counter-indemnity in a form and substance reasonably satisfactory to The 13 in respect of any liabilities, losses, damages, costs and expenses that The 13 may incur as a result of the default of the PYE Group under the performance bonds to which The 13 is a guarantor and/or surety and/or indemnifying party after Completion.

The Purchaser may at its absolute discretion at any time before Completion waive conditions (iv), (vii), (viii), (ix), (x), (xi) and (xii) above by notice in writing to the Vendor. If any of the conditions above has not been fulfilled or waived (as the case may be) on or before the Long Stop Date, the Vendor shall refund the Initial Deposit and the Further Deposit (if paid) to the Purchaser within one (1) Business Day thereafter, and if the unfulfilled condition precedent falls under (ii), (iii), (vi), (xi) or (xii), the Vendor shall simultaneously with the said refund further pay to the Purchaser a sum of HK\$32,000,000 as and for agreed liquidated damages, and the provisions of the Acquisition Agreement shall have no further force and effect (save for any antecedent breach in respect thereof).

(6) Due Diligence Review:

After the signing of the Acquisition Agreement, the Purchaser shall be entitled to carry out the Due Diligence Review on the PYE Group including without limitation to its assets, liabilities, contracts, commitments, businesses, financial, legal and taxation aspects. The Due Diligence Review shall be completed seven (7) Business Days prior to the Long Stop Date. If the Purchaser shall not be satisfied with the results of the Due Diligence Review, it may notify the Vendor of the defects in writing and:

- (i) in the event that such defects shall be remedied to the satisfaction of the Purchaser by the Long Stop Date, the Purchaser shall, subject to fulfilment of other conditions precedent before Completion, proceed to Completion; or
- (ii) in the event that such defects shall not be so remedied to the satisfaction of the Purchaser by the Long Stop Date, the Purchaser may by notice in writing to the Vendor rescind or terminate the Acquisition Agreement and the Vendor shall refund the Initial Deposit to the Purchaser within one (1) Business Day from the date of the said notice and the Acquisition Agreement shall have no further force and effect (save for any antecedent breach in respect thereof).

(7) Completion:

Completion shall take place on the third (3rd) Business Day after fulfilment (or waiver, as the case may be) of the last of the conditions precedent, or such other date as the Vendor and the Purchaser may agree in writing.

Upon Completion, the PYE Group will become associated companies of the Group, the results of which will be equity accounted for by the Group.

THE TYCOON AGREEMENT

On the same day of the Acquisition Agreement, Tycoon Bliss, which is a company wholly owned by Mr. Chan, as purchaser, the Vendor as vendor, and The 13 as the Vendor's guarantor entered into the Tycoon Agreement pursuant to which Tycoon Bliss has conditionally agreed to purchase 73,233,540 PYE Shares, representing approximately 6% of the entire issued share capital of PYE, from the Vendor at a consideration of HK\$34,800,000. The said consideration was agreed between the Vendor and Mr. Chan with reference to the purchase price per Sale Share under the Acquisition Agreement, and is to be paid as to HK\$20,000,000 as deposit within three (3) Business Days after the signing of the Tycoon Agreement and as to HK\$14,800,000, being the remaining balance thereof, upon completion of the Tycoon Agreement.

Completion of the Acquisition Agreement and the Tycoon Agreement is not inter-conditional on each other.

INFORMATION ON THE PYE GROUP

(1) Shareholding and business:

As at the date of the Acquisition Agreement, PYE is held as to approximately 51.76% by the Vendor and as to approximately 48.24% by PYI Corporation Limited, a listed company whose shares are listed on the Stock Exchange (Stock Code: 498). The PYE Group is one of the leading management contractors in Hong Kong and Macau and is principally engaged in civil engineering, building construction and foundation works, project management, manufacturing and trading of construction materials.

(2) Financial information:

Set out below is the audited consolidated financial information of the PYE Group as extracted from the annual reports of PYE for each of the two years ended 31st March, 2015 and 2016:

	For the year ended 31st March	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	9,960,043	10,695,573
Profit before taxation	79,509	119,394
Profit after taxation	57,025	85,538

Based on the interim report of PYE for the six months ended 30th September, 2016, the unaudited consolidated equity attributable to owners of PYE amounted to approximately HK\$878,461,000 as at 30th September, 2016.

(3) The 13 Investments Loan Agreement:

On 25th April, 2016, Paul Y. Finance Limited (a wholly-owned subsidiary of PYE) as lender, The 13 Investments Limited (a wholly-owned subsidiary of The 13) as borrower and The 13 as the borrower's guarantor entered into The 13 Investments Loan Agreement (as amended and varied by various supplemental agreements). Pursuant to The 13 Investments Loan Agreement, Paul Y. Finance Limited has provided a loan facility in the principal amount of HK\$319,000,000 to The 13 Investments Limited which is repayable on 30th June, 2017. It is a condition precedent to Completion that if the repayment date of The 13 Investments Loan Agreement is extended beyond the date of Completion, the Vendor and The 13 will settle or procure the settlement of all interest accrued on the loan up to the date of Completion under The 13 Investments Loan Agreement on or before Completion. They will also execute or procure the execution of security documents in such form and substance reasonable satisfactory to the Purchaser as security for all sums payable under The 13 Investments Loan Agreement, such security includes, inter alia, a floating charge over certain furniture, fixtures, fitting-outs and artworks of THE 13 Hotel in Macau owned by Easy Fix Limited, a wholly-owned subsidiary of The 13.

(4) The Hotel Construction Contract:

On 8th July, 2013, New Concordia (a wholly-owned subsidiary of The 13) and PYE General Contractors (Macau) Limited (a wholly-owned subsidiary of PYE) entered into the Hotel Construction Contract. Pursuant to the Hotel Construction Contract, New Concordia has engaged PYE General Contractors (Macau) Limited to undertake the project management and construction work of THE 13 Hotel in Macau. It is a condition precedent to Completion that The 13 will execute a guarantee in favour of the PYE Group on or before Completion to, among others, guarantee the performance of the obligations of New Concordia under the Hotel Construction Contract.

(5) The performance bonds:

The 13 has provided indemnity for certain performance bonds issued by the PYE Group in relation to its construction contracts and such indemnity amounts to an aggregate of approximately HK\$106,100,000 as at the date of this announcement. The relevant construction contracts have been completed and all such performance bonds are being cancelled. It is a condition precedent to Completion that if any of such performance bonds has not been cancelled in time, the Purchaser will provide The 13 with a counter-indemnity in respect of any liabilities, losses, damages, costs and expenses that The 13 may incur as a result of the default of the PYE Group under any of such performance bonds after Completion.

REASONS FOR THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in property development and investment in Macau, the PRC, Hong Kong and Canada. The Group is also engaged in the development, investment and operation of hotels and leisure business in the PRC, Hong Kong and Canada, securities investment and the provision of loan financing services.

The PYE Group is a renowned contractor with over 70 years' of expertise and solid reputation in accomplishing landmark project development from Mass Transit Railway underground stations, the Hong Kong Cross Harbour Tunnel and the Ting Kau Bridge, to iconic commercial properties such as Landmark East, Cheung Kong Centre, The Centre, and Cyberport. The PYE Group has established long term relationship with the Group and has been the contractor of most of the Group's project developments including One Oasis in Macau and Le Diamant, yoo Residence and Le Petit Rosedale Hotel in Hong Kong for over 10 years. The Directors believe that the Acquisition can on one hand allow the Group to share the profitable results of the PYE Group and on the other hand can strengthen its relationship with the PYE Group to ensure the timeliness and quality of the Group's project developments.

Mr. Chan has over 43 years of experience in the local construction field specialising in planning of construction business. As at the date of this announcement, Mr. Chan is an executive director and deputy chairman of PYE. Mr. Chan, being an executive Director and the managing Director, has not attended the meeting of the Board convened for the purpose of approving the entering into of the Acquisition Agreement and the performance of the transactions contemplated thereunder by the Purchaser.

After Completion, the Company plans to nominate one (1) additional director, other than Mr. Chan, to the board of directors of PYE. In case there may be conflicts between the Group's interest and Mr. Chan's personal interest in PYE, Mr. Chan will abstain from voting on any proposed resolution of the board of directors of the relevant member of the Group in relation to such relevant businesses.

The Directors consider that the terms of the Acquisition Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the same meanings when used herein:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 28th June, 2017 entered into among the Purchaser, the Vendor and The 13 in relation to the sale and purchase of the Sale Shares
“Board”	the board of Directors
“Business Day(s)”	a day(s) (excluding Saturday, Sunday or public holiday or any day on which a typhoon signal no. 8 or above or a black rainstorm signal is issued in Hong Kong between 9:00 a.m. and 5:00 p.m.) on which licensed commercial banks in Hong Kong are open for general banking business for the public in Hong Kong
“BVI”	British Virgin Islands
“Company”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 199)
“Completion”	completion of the sale and purchase of the Sale Shares under the Acquisition Agreement
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	HK\$265,200,000, being the aggregate consideration for the Sale Shares pursuant to the terms of the Acquisition Agreement
“Director(s)”	director(s) of the Company
“Due Diligence Review”	the due diligence review to be performed by the Purchaser on the PYE Group pursuant to the terms and conditions of the Acquisition Agreement

“Earnest Money”	the refundable earnest money in the aggregate sum of HK\$60,000,000 paid by the Company to The 13 pursuant to the MOU as amended by the Supplemental MOUs
“Further Deposit”	the further deposit in the sum of HK\$53,000,000 payable by the Purchaser to the Vendor upon the Purchaser’s satisfaction of the Due Diligence Review
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Construction Contract”	the construction contract dated 8th July, 2013 entered into between New Concordia and PYE General Contractor’s (Macau) Limited, a wholly-owned subsidiary of PYE, in relation to the project management and construction works of THE 13 Hotel in Macau
“Initial Deposit”	an initial deposit in the sum of HK\$106,000,000 payable by the Purchaser to the Vendor in accordance with the terms of the Acquisition Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28th December, 2017 or such other date as the Vendor and the Purchaser may agree in writing
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“MOU”	the memorandum of understanding dated 27th April, 2017 entered into between The 13 and the Company
“Mr. Chan”	Mr. Chan Fut Yan, an executive Director and the managing Director of the Company
“New Concordia”	New Concordia Hotel Limited, a company incorporated in Macau with limited liability and a wholly-owned subsidiary of The 13
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Republic of Taiwan
“Purchaser”	Precious Year Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company

“PYE”	Paul Y. Engineering Group Limited, a company incorporated in the BVI with limited liability
“PYE Group”	PYE and its subsidiaries
“PYE Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of PYE
“Sale Shares”	558,494,429 PYE Shares, representing approximately 45.76% of the entire issued share capital of PYE and legally and beneficially owned by the Vendor as at the date of the Acquisition Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charge”	the share charge executed by The 13 Hotel (BVI) Limited, the holding company of the Vendor, on 5th December, 2016 in favour of an independent third party over all the issued shares of the Vendor
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental MOU(s)”	the supplemental memoranda of understanding dated 10th May, 2017, 19th May, 2017, 26th May, 2017, 2nd June, 2017, 9th June, 2017, 16th June, 2017, 21st June, 2017 and 27th June, 2017 entered into between The 13 and the Company in relation to the extension of the expiry date of the MOU
“The 13”	The 13 Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 577)
“The 13 Investments Loan Agreement”	the loan agreement dated 25th April, 2016 entered into among Paul Y. Finance Limited as lender, The 13 Investments Limited as borrower and The 13 as the borrower’s guarantor pursuant to which Paul Y. Finance Limited has provided a loan facility in the principal amount of HK\$319,000,000 to The 13 Investments Limited upon the terms and conditions therein contained, and amended by four supplemental agreements dated 30th September, 2016, 29th November, 2016, 28th February, 2017 and 7th April, 2017
“The 13 Share(s)”	ordinary share(s) of HK\$2.0 each in the share capital of The 13

“The 13 Shareholder(s)”	holder(s) of The 13 Share(s)
“Tycoon Agreement”	the conditional sale and purchase agreement dated 28th June, 2017 entered into among the Vendor, Tycoon Bliss and The 13 in relation to the sale and purchase of 73,233,540 PYE Shares, representing approximately 6% of the entire issued share capital of PYE
“Tycoon Bliss”	Tycoon Bliss Limited, a company incorporated in the BVI with limited liability of which Mr. Chan is the sole beneficial owner
“Vendor”	The 13 (BVI) Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of The 13
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
ITC Properties Group Limited
Cheung Hon Kit
Chairman

Hong Kong, 28th June, 2017

As at the date of this announcement, the Directors are as follows:

Executive Directors:

Mr. Cheung Hon Kit (*Chairman*)
 Mr. Chan Fut Yan (*Managing Director*)
 Mr. Cheung Chi Kit
 Mr. Chan Yiu Lun, Alan
 Mr. Wong Lai Shun, Benny

Independent Non-executive Directors:

Hon. Shek Lai Him, Abraham, GBS, JP (*Vice Chairman*)
 Mr. Kwok Ka Lap, Alva
 Mr. Chan Pak Cheong Afonso