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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)**

**(Warrant Code : 490)**

**MAJOR TRANSACTION  
IN RELATION TO THE MAXIMUM FURTHER CONTRIBUTION  
IN RESPECT OF THE GUIYANG JOINT VENTURE COMPANY**

On 5th November, 2009, the Board announced that ITC China and Hong Neng entered into the Agreement in relation to the formation of the JV Company. The JV Company would be principally engaged in the development and management of a hot spring and resort project in Guiyang, the PRC. As the Initial Commitment in the amount of RMB90.0 million (equivalent to approximately HK\$102.3 million) exceeded 5% but was less than 25% of the applicable percentage ratios under Rule 14.07 of the Listing Rules, the formation of the JV Company pursuant to the Agreement constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

After trading hours of the Stock Exchange on 6th January, 2010, ITC China and Hong Neng entered into the Memorandum in relation to the proposed increase in the total investment amount of the JV Company from RMB200.0 million (equivalent to approximately HK\$227.3 million) to RMB500.0 million (equivalent to approximately HK\$568.2 million). The Maximum Further Contribution under the Memorandum is RMB135.0 million (equivalent to approximately HK\$153.4 million).

As the Maximum Further Contribution, when aggregated with the Initial Commitment, exceeds 25% but is less than 100% of the applicable percentage ratios under Rule 14.07 of the Listing Rules, the Maximum Further Contribution constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval of the Shareholders by way of poll at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hong Neng and its ultimate beneficial owner are third parties independent of the Company and its connected persons and no Shareholder has a material interest in the transaction contemplated under the Memorandum which is different from the other Shareholders, no Shareholder is required to abstain from voting in respect of the ordinary resolution(s) to be proposed at the SGM to approve, among other things, the Maximum Further Contribution.

A circular containing, among other things, details of the Memorandum, the notice of the SGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

\* For identification purposes only

## **BACKGROUND**

On 5th November, 2009, the Board announced that ITC China and Hong Neng entered into the Agreement for the formation of the JV Company, which would be principally engaged in the development and management of a hot spring and resort project in Guiyang, the PRC. Under the Agreement, the total investment amount of the JV Company is RMB200.0 million (equivalent to approximately HK\$227.3 million) and its registered capital is RMB100.0 million (equivalent to approximately HK\$113.6 million). ITC China and Hong Neng would contribute RMB45.0 million (equivalent to approximately HK\$51.1 million) and RMB55.0 million (equivalent to approximately HK\$62.5 million) respectively, in proportion to their respective equity interests of 45% and 55%, to the registered capital of the JV Company. It was agreed that the difference between the total investment amount and the registered capital would be contributed by ITC China and Hong Neng by way of shareholders' loans in proportion to their respective equity interests in the JV Company or, if both parties agree, would be funded by external financing. Accordingly, the Initial Commitment in respect of the JV Company amounted to RMB90.0 million (equivalent to approximately HK\$102.3 million) under the Agreement.

As disclosed in the Announcement, it was intended that the capital contributions from ITC China and Hong Neng would be used to fund the acquisition of the Land through public listing and bidding process for the development of the Project.

## **INFORMATION ON THE JV COMPANY**

The JV Company was incorporated in the PRC on 18th November, 2009. In compliance with the provisions of the Agreement, ITC China and Hong Neng has paid up their required contributions of RMB45.0 million (equivalent to approximately HK\$51.1 million) and RMB55.0 million (equivalent to approximately HK\$62.5 million) respectively to the registered capital of the JV Company.

On 4th December, 2009, the JV Company succeeded in the bidding of the Land. The land premium payable amounts to approximately RMB104.5 million (equivalent to approximately HK\$118.8 million). The Land is situated in the southern part of Dong Feng County, Wudang District, Guiyang City, Guizhou Province, the PRC (中國貴州省貴陽市烏當區東風鎮), about 15 kilometers from Guiyang City, which can be developed for residential, commercial, cultural, recreational and resort uses. The maximum plot ratio is approximately in the range of 1.0 to 1.5.

As the initial paid-up capital of RMB100.0 million (equivalent to approximately HK\$113.6 million) in the JV Company has been utilised for the payment of the land premium of the Land, instead of further contribution in the form of shareholders' loans as originally envisaged under the Agreement, ITC China and Hong Neng entered into a new joint venture agreement in relation to the JV Company on 23rd December, 2009 to, among other things, increase the registered capital of the JV Company from RMB100.0 million (equivalent to approximately HK\$113.6 million) to RMB200.0 million (equivalent to approximately HK\$227.3 million).

The First Increase shall be contributed by ITC China and Hong Neng in accordance with their respective equity interests in the JV Company, i.e. RMB45.0 million (equivalent to approximately HK\$51.1 million) by ITC China and RMB55.0 million (equivalent to approximately HK\$62.5 million) by Hong Neng, 20% of which is payable on the filing and registration of the First Increase with the relevant PRC authorities and the balance is payable within two years of the issue of the new business licence of the JV Company reflecting the First Increase. The First Increase is being approved by the relevant PRC government authorities and the new business licence is expected to be issued in late January 2010. Under the new joint venture agreement, the total investment amount of the JV Company remains at RMB200.0 million (equivalent to approximately HK\$227.3 million).

In order to cater for the future development of the Project by the JV Company including but not limited to the development of the Project on the Land and possible acquisition(s) of further parcels of land adjacent to the Land, after trading hours of the Stock Exchange on 6th January, 2010, ITC China and Hong Neng entered into the Memorandum for the increase in the total investment amount and further increase in the registered capital of the JV Company. Details of the Memorandum are set out below.

## **THE MEMORANDUM**

### **Date**

6th January, 2010

### **Parties**

- (i) Hong Neng, a company incorporated in the PRC with limited liability which is engaged in investment holding; and
- (ii) ITC China, an indirect wholly-owned subsidiary of the Company, which is incorporated in Hong Kong with limited liability.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except for being a joint venture partner to the Group in the JV Company and the borrower of a short-term loan of RMB20.0 million (equivalent to approximately HK\$22.7 million) provided by the Group pursuant to a loan agreement dated 26th November, 2009, Hong Neng and its ultimate beneficial owner are third parties independent of the Company and its connected persons and are not connected persons of the Company.

### **Proposed increase in contributions**

#### *(i) Total investment amount*

The total investment amount of the JV Company is to be increased from RMB200.0 million (equivalent to approximately HK\$227.3 million) to RMB500.0 million (equivalent to approximately HK\$568.2 million).

*(ii) Registered capital*

The registered capital of the JV Company is to be further increased from RMB200.0 million (equivalent to approximately HK\$227.3 million) to RMB400.0 million (equivalent to approximately HK\$454.5 million).

The increase in the registered capital of RMB200.0 million (equivalent to approximately HK\$227.3 million) is to be contributed in cash by ITC China and Hong Neng, in proportion to their respective equity interests of 45% and 55% in the JV Company, in the amount of RMB90.0 million (equivalent to approximately HK\$102.3 million) and RMB110.0 million (equivalent to approximately HK\$125.0 million) respectively, 20% of which is payable upon the filing and registration of the proposed increase in total investment amount and registered capital with the relevant PRC authorities and the balance is payable within two years from the date of the issue of a new business licence of the JV Company reflecting the aforesaid increase.

*(iii) Difference between total investment amount and registered capital*

The Memorandum provides that the difference between the new total investment amount of RMB500.0 million (equivalent to approximately HK\$568.2 million) and the new registered capital of RMB400.0 million (equivalent to approximately HK\$454.5 million) is to be made up in such manner and at such time as ITC China and Hong Neng shall agree, and may be by way of external financing. It was provided in the Memorandum that if external financing is not available or is not available on terms acceptable to both ITC China and Hong Neng within four years from the date of the issue of the new business licence of the JV Company, then unless the parties otherwise agree, the difference shall be contributed by ITC China and Hong Neng in the form of shareholders' loans in proportion to their respective equity interests in the JV Company, in which case such shareholders' loans shall be interest-free, unsecured and have no fixed terms of repayment.

Apart from the proposed contribution to the increase in the registered capital and possible shareholders' loans as set out above, there are no other commitments by the parties to the Memorandum as at the date of this announcement to make any further capital contribution to the JV Company.

**Conditions precedent**

The proposed increase in the total investment amount and the registered capital of the JV Company under the Memorandum is conditional upon all necessary PRC governmental approvals for the same having been obtained, the First Increase having been approved by the relevant PRC government authorities, and the approval of the aforesaid increase by the Shareholders having been obtained by way of poll at the SGM.

If the above conditions have not been fulfilled within six months from the signing of the Memorandum (or such other date as the parties to the Memorandum may agree in writing), the rights and obligations of the parties under the Memorandum shall lapse and be of no further effect and neither party shall have any claim against the other thereon but ITC China and Hong Neng shall further discuss other alternative means of financing available to the JV Company.

## **REASONS FOR AND BENEFITS OF THE MEMORANDUM**

The Company is an investment holding company and its subsidiaries are principally engaged in property development and investment in Macau, the PRC and Hong Kong. The Group is also engaged in golf resort and leisure operations in the PRC, securities investment and loan financing services.

The Directors expect that the robust economic growth and increasing consumer spending in the PRC will continue to drive the growth of the property market and leisure business sector in the PRC and are keen to expand the Group's property, resort and leisure businesses in the PRC beyond Sanya and Guangzhou. Following the announcement of the overall city development plan by Guiyang local government in early 2009 which involves the development of Wudang District into a popular vacation spot in the PRC, the Group has been exploring investment opportunities in Guiyang. With its natural hot springs and beautiful scenery, the Board believes that Guiyang has significant potential to be developed into one of the famous tourist attractions in the PRC.

As disclosed in the Announcement, it is the intention of the Group to develop the Land and its adjacent areas into a multi-purpose complex with residential, hotel, commercial, spa, sports and resort facilities. The acquisition of the Land is the first step for the JV Company to commence the Project. The JV Company informed ITC China that the master planning and design work for the initial phase of the Project will commence shortly and construction is anticipated to commence in or around May 2011. The proposed increase in the capital contributions by ITC China and Hong Neng will provide the JV Company with adequate fund in a timely manner to develop the Project and to acquire further parcels of land adjacent to the Land if suitable opportunities arise to scale up the Project. The JV Company will participate in the next land auction with a view to acquiring further parcels of land adjacent to the Land for the Project.

In view of the above, the Board considers that the entering into of the Memorandum (including the Maximum Further Contribution contemplated thereunder) is in the interests of the Company and the Shareholders as a whole and the terms of the Memorandum are fair and reasonable.

The Maximum Further Contribution of RMB135.0 million (equivalent to approximately HK\$153.4 million) is intended to be financed by internal resources of the Group and/or bank borrowings, if required.

## **GENERAL INFORMATION**

As the Maximum Further Contribution, when aggregated with the Initial Commitment, exceeds 25% but is less than 100% of the applicable percentage ratios under Rule 14.07 of the Listing Rules, the Maximum Further Contribution constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval of the Shareholders by way of poll at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hong Neng and its ultimate beneficial owner are third parties independent of the Company and its connected persons and no Shareholder has a material interest in the transaction contemplated under the Memorandum which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the ordinary resolution(s) to be proposed at the SGM to approve, among other things, the Maximum Further Contribution.

A circular containing, among other things, details of the Memorandum, the notice of the SGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

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

“Agreement”	the agreement dated 5th November, 2009 entered into between ITC China and Hong Neng in relation to the formation of the JV Company
“Announcement”	the announcement of the Company dated 5th November, 2009 in relation to the formation of the JV Company
“Board”	the board of Directors
“Company”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares (Stock Code : 199) and warrants (Warrant Code : 490) of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“First Increase”	the increase in the registered capital of the JV Company from RMB100.0 million (equivalent to approximately HK\$113.6 million) to RMB200.0 million (equivalent to approximately HK\$227.3 million) pursuant to the joint venture agreement in relation to the JV Company dated 23rd December, 2009 entered into between ITC China and Hong Neng
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Neng”	貴州宏能溫泉旅游開發有限公司(Guizhou Hong Neng Hot Spring Resort Tourism Development Company Limited), a company incorporated in the PRC with limited liability

“Initial Commitment”	the total capital commitment of RMB90.0 million (equivalent to approximately HK\$102.3 million) as set out in the Agreement, on the part of ITC China
“ITC China”	ITC (China) Properties Group Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“JV Company”	貴州宏德商務諮詢有限公司(Guizhou Hong De Business Consulting Co., Ltd.) (renamed as 貴州宏德置業有限公司(Guizhou Hong De Real Estate Co., Ltd.)), a sino-foreign joint venture company established in the PRC with limited liability pursuant to the Agreement
“Land”	several parcels of land in Wudang District, Guiyang City, Guizhou Province, the PRC with an aggregate site area of approximately 347,054 sq. m. and on which the Project is intended to be situated
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Maximum Further Contribution”	the maximum additional capital contribution of RMB135.0 million (equivalent to approximately HK\$153.4 million) to the JV Company on the part of ITC China pursuant to the Memorandum
“Memorandum”	the memorandum of understanding dated 6th January, 2010 entered into between ITC China and Hong Neng in relation to the proposed increase in contributions to the JV Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Project”	the hot spring and resort development project currently named “樂灣國際溫泉城建設項目 (Le Bay International Hot Spring City Development Project)” intended to be developed by the JV Company
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Maximum Further Contribution and the proposed increase in the total investment amount and the registered capital of the JV Company under the Memorandum

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m.”	square meter(s)
“%”	per cent.

*In this announcement, amounts in RMB are converted into HK\$ on the basis of HK\$1 = RMB0.88. The conversion rate is for indication purposes only and should not be taken as a representation that RMB could actually be converted into HK\$ at that rate or at all.*

*For ease of reference, the names of companies and entities established in the PRC have been included in this announcement in both Chinese and English languages and the English names of these companies and entities are either English translation of their respective official Chinese names or English tradenames used by them. In the event of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.*

By order of the Board  
**ITC Properties Group Limited**  
**Yan Ha Hung, Loucia**  
*Company Secretary*

Hong Kong, 6th January, 2010

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. Lai Tsan Tung, David

*Non-executive Director:*

Mr. Ma Chi Kong, Karl

*Independent non-executive Directors:*

Mr. Qiao Xiaodong (*Vice Chairman*)  
Mr. Wong Chi Keung, Alvin  
Mr. Kwok Ka Lap, Alva