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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  
INVOLVING ACQUISITION OF SALE SHARES AND SALE LOAN  
AND  
RESUMPTION OF TRADING**

**THE ACQUISITION**

The Board announces that after trading hours of the Stock Exchange on 30th October, 2008, the Purchaser entered into the Agreement with the Vendor, an independent third party, whereby the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares and the Sale Loan for an aggregate consideration of approximately HK\$189.8 million. The Sale Shares represent the entire issued share capital of Pine Cheer, which in turn owns the Property and has entered into agreements to purchase the SP Property.

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders at the SGM. As the Vendor is a third party independent of the Company and its connected persons (as defined in the Listing Rules) and no Shareholder has a material interest in the Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution to approve the Agreement at the SGM.

A circular containing, among other things, details of the Agreement, the valuation report of the Property and the SP Property, the financial information of the Group and Pine Cheer, the notice to convene the SGM and other information as required under the Listing Rules will be despatched to the Shareholders in due course.

**RESUMPTION OF TRADING**

Trading in the Shares and warrants on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 31st October, 2008 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares and warrants on the Stock Exchange with effect from 9:30 a.m. on 5th November, 2008.

\* For identification purpose only

## THE AGREEMENT

**(1) Date:**

30th October, 2008 (after trading hours of the Stock Exchange)

**(2) Parties:**

- (i) Mandung, an indirect wholly-owned subsidiary of the Company, being the Purchaser; and
- (ii) Mr. Wang, the legal and beneficial owner of the entire issued share capital of Pine Cheer, being the Vendor.

In June 2008, MPFL, an indirect wholly-owned subsidiary of the Company, provided the Advance to Pine Cheer for the funding of the acquisition of the Property and the SP Property. The Advance is unsecured, interest-bearing at the prime rate for Hong Kong dollars from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited and has no fixed repayment date. As at the date of this announcement, the Advance is still outstanding. Accrued interest on the Advance up to 31st October, 2008 amounted to approximately HK\$0.4 million.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Wang is a third party independent of the Company and its connected persons (as defined in the Listing Rules) and is not a connected person of the Company. Apart from the provision of the Advance, there was no prior transaction between the Company, the Vendor and Pine Cheer in the last 12 months prior to the Agreement which may require aggregation under Rule 14.22 of the Listing Rules.

**(3) Assets to be acquired:**

The assets to be acquired comprise the Sale Shares and the Sale Loan.

The Sale Shares represent the entire issued ordinary share capital of Pine Cheer as at the date of the Agreement. Pine Cheer is a company incorporated in Hong Kong with limited liability and a special purpose vehicle established for the purpose of acquiring and holding the Property and the SP Property.

The Sale Loan represents all amounts which Pine Cheer owes to the Vendor as at the Completion Date, the aggregate amount of which as at 31st October, 2008 was approximately HK\$194.8 million. The Sale Loan is unsecured, non interest-bearing and has no fixed term of repayment. The Sale Loan was incurred from time to time by amounts advanced by the Vendor to Pine Cheer for the purposes of acquiring the Property and the SP Property and financing the operation of Pine Cheer.

**(4) Consideration and payment terms:**

The portion of the Consideration attributable to the Sale Shares shall be HK\$100, representing the nominal value of the Sale Shares; and the portion of the Consideration attributable to the Sale Loan shall be equal to the face value of the Sale Loan at the Completion Date.

The Consideration has been/shall be paid in the following manner:

- (i) the Deposit of HK\$75,000,000 has been paid by the Purchaser in cash to the Vendor on signing of the Agreement; and
- (ii) the balance of the Consideration shall be paid by the Purchaser upon Completion.

Based on the outstanding balance of the Sale Loan as at 31st October, 2008 of approximately HK\$194.8 million, the balance payment of the Consideration is estimated to be approximately HK\$119.8 million.

If the Agreement is terminated (other than due to the default of the Purchaser), the Deposit shall be refunded by the Vendor to the Purchaser forthwith without prejudice to any other claims and remedies the Purchaser may have under the Agreement whatsoever.

In consideration of the Purchaser agreeing to pay the Deposit, the Vendor has charged the Sale Shares to the Purchaser as a continuing security for the due and punctual performance and observance of his obligations to refund the Deposit in accordance with the terms and conditions of the Agreement. The share charge shall remain in force and effect until either (i) the Deposit has been returned to the Purchaser pursuant to the terms and conditions of the Agreement; or (ii) Completion has taken place in accordance with the terms of the Agreement, whichever is the earlier.

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

The Consideration was determined after arm's length negotiations between the parties with reference to, among other things, the unaudited net shareholders' deficits of Pine Cheer of approximately HK\$0.2 million and the valuation of the Property and the SP Property of HK\$244 million as at 30th September, 2008 by an independent professional valuer, RHL Appraisal Ltd. The Sale Loan amounted to approximately HK\$189.8 million and HK\$194.8 million as at 30th September, 2008 and 31st October, 2008 respectively. The Board considers that the Consideration is fair and reasonable.

**(5) Conditions precedent:**

Completion is conditional upon the following conditions being fulfilled or waived by the Purchaser:

- (i) the Purchaser being satisfied with the results of a due diligence review on the assets, liabilities, contracts, commitments, business, financial, legal and taxation aspects of Pine Cheer;
- (ii) the representations, warranties and undertakings given by the Vendor remaining true and accurate and not misleading in all material respects as at Completion;

- (iii) the Vendor having shown and given a good title of Pine Cheer to the Property and the SP Property (the latter subject to completion of the relevant sale and purchase agreements);
- (iv) approval by the Shareholders (other than those who are required to abstain from voting under the Listing Rules or the applicable laws, rules and regulations) of the Acquisition and all other transactions contemplated under the Agreement at the SGM in compliance with the requirements of the Listing Rules; and
- (v) all other relevant requirements under the Listing Rules and/or all necessary approvals and processes of the relevant authorities for the entry into and implementation of the Agreement and the transactions contemplated thereunder have been fulfilled, obtained and/or complied with by the Purchaser and/or its holding companies.

The Purchaser may at its absolute discretion waive conditions (i) to (iii). If the conditions are not fulfilled or waived on or before 27th February, 2009 (or any other date as the parties to the Agreement may agree in writing), the rights and obligations of the parties under the Agreement shall lapse and be of no further effect except for antecedent breach, and the Deposit shall be refunded to the Purchaser without interest, claim or compensation.

Neither the Purchaser nor the Vendor shall be obliged to complete the sale and purchase of any of the Sale Shares or the Sale Loan unless completion of the sale and purchase of all the Sale Shares and the Sale Loan takes place simultaneously.

**(6) Completion:**

Completion shall take place on the third Business Day after fulfillment (or waiver, if applicable) of the last of the conditions precedent to the Agreement (except condition (ii) which shall remain fulfilled on Completion), or such other date as the parties to the Agreement may agree in writing.

**INFORMATION ON PINE CHEER**

Pine Cheer is a special purpose vehicle incorporated in January 2008. Its principal assets are the Property and its interest under the relevant agreements for the acquisition of the SP Property. The Property and the SP Property are erected on a site located at No. 19-21 Shelter Street, Causeway Bay, Hong Kong, with site area of approximately 3,800 square feet. Portions of the Property and the SP Property are subject to three tenancies with independent third parties at a total rental income of approximately HK\$27,200 per month. All the remaining portions of the Property and the SP Property are vacant. One lease can be terminated by giving one month's notice, whereas the other two leases will expire by March 2009 and December 2009 respectively. The ground floor of the Property is for commercial use and the other units of the Property and the SP Property are for residential use.

As at the date of this announcement, deposits in the amount of approximately HK\$13.7 million have been paid for the acquisition of the SP Property, for which Pine Cheer has entered into valid and binding sale and purchase agreements. Completion of the acquisition of the SP Property is expected to take place on or before 31st December, 2008 and further payment (including stamp duties) of approximately HK\$29.3 million is required to be made by Pine Cheer for completing the acquisition of the SP Property. If the sale and purchase of the SP Property is completed before the Completion Date, the balance payment for the acquisition of the SP Property will be made by the Vendor in the form of further shareholder's loan to Pine Cheer. In that event, the face value of the Sale Loan will increase. Since the Sale Loan is to be

acquired by the Purchaser on a “dollar-for-dollar” basis, any increase in the balance of the Sale Loan will form part of the Consideration. If the sale and purchase of the SP Property is not completed before the Completion Date, the Group will be responsible for financing the balance payment. The Property and the SP Property are valued by RHL Appraisal Ltd., an independent professional valuer, on a redevelopment basis at HK\$244 million as at 30th September, 2008.

For the period from 30th January, 2008 (date of incorporation) to 30th September, 2008, Pine Cheer recorded unaudited loss before and after taxation of approximately HK\$0.2 million. The unaudited net shareholders’ deficits of Pine Cheer as at 30th September, 2008 were approximately HK\$0.2 million.

Upon Completion, Pine Cheer will become an indirect wholly-owned subsidiary of the Company. The Advance together with the interest on the Advance will be accounted for in the books of Pine Cheer as loan from a fellow subsidiary, i.e. MPFL, and be eliminated on consolidated basis in the Group’s accounts.

## **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 and Hong Kong. The Group is also engaged in golf resort and leisure operations in the PRC, securities investment and loan financing services.

The property market in Hong Kong has quiet down since the beginning of the year and the Board believes it is an opportune time to invest in properties with resale and redevelopment potential at reasonable prices and to further capture future capital gain when the property market recovers. The Board considers that the Acquisition provides a good opportunity for the Group to increase its property portfolio in Causeway Bay, one of the well off districts in Hong Kong, where the Group has recently acquired a nearby property at Moreton Terrace as previously announced. The Board also considers that the terms and conditions of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Group intends to hold the Property and the SP Property for resale as a whole block at their existing state and condition. After Completion and the acquisition of the SP Property, the Group would have secured the titles to the entire building and attained the right to redevelop the site. The independent professional valuer, RHL Appraisal Ltd. confirmed that there would not be material variation to the valuation of the Property and the SP Property as a single entity under the assumption of redevelopment by the Group or resale as a whole block for future redevelopment. Nevertheless, the Group currently does not have any plan to incur further capital commitment to redevelop the site.

## **SGM**

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders at the SGM. The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. As the Vendor is a third party independent of the Company and its connected persons (as defined under the Listing Rules) and no Shareholder has a material interest in the Acquisition which is different from the other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution to approve the Acquisition at the SGM.

## **GENERAL**

A circular containing, among other things, details of the Agreement, the valuation report of the Property and the SP Property, the financial information of the Group and Pine Cheer, the notice to convene the SGM and other information as required under the Listing Rules will be despatched to the Shareholders in the due course.

## **RESUMPTION OF TRADING**

Trading in the Shares and warrants on the Stock Exchange was suspended with effect from 9:30 a.m. on 31st October, 2008 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares and warrants with effect from 9:30 a.m. on 5th November, 2008.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Advance”	the short-term advance of approximately HK\$19.8 million provided by MPFL to Pine Cheer
“Agreement”	the agreement dated 30th October, 2008 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“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
“Completion”	completion of the Acquisition
“Completion Date”	the date of Completion

“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration for the Sale Shares and the Sale Loan under the Agreement
“Deposit”	the deposit of HK\$75,000,000 paid by the Purchaser to the Vendor on signing of the Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mandung” or “Purchaser”	Mandung Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“MPFL”	Macau Prime Finance Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Mr. Wang” or “Vendor”	Mr. George Wang
“Pine Cheer”	Pine Cheer Limited, a company incorporated in Hong Kong with limited liability
“PRC”	The People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Property”	(i) Ground Floor, (ii) Flat B and Flat Roofs on the First Floor, (iii) Flats A and B on the Second Floor, (iv) Flats A and B on the Third Floor, (v) Flat B on the Fourth Floor, (vi) Flat B on the Fifth Floor, (vii) Flat A on the Sixth Floor, (viii) Flat B on the Seventh Floor, (ix) Flats A and B on the Eighth Floor, (x) Flats A and B (with Flat Roof for Flat B) on the Ninth Floor, (xi) Flat A on the Tenth Floor, (xii) Flat A and Flat Roof on the Eleventh Floor, (xiii) Flats A and B on the Twelfth Floor, and (xiv) Flats A and B on the Thirteenth Floor and the Roofs A and B, No. 19-21 Shelter Street, Causeway Bay, Hong Kong
“Sale Loan”	the entire amount of the shareholder’s loan owing by Pine Cheer to the Vendor on the Completion Date
“Sale Shares”	the entire issued share capital of Pine Cheer, all of which are owned by the Vendor as at the date of the Agreement

“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
“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)
“SP Property”	(i) Flat A and Flat Roofs on the First Floor, (ii) Flat A on the Fourth Floor, (iii) Flat A on the Fifth Floor, (iv) Flat B on the Sixth Floor, (v) Flat A on the Seventh Floor, (vi) Flat B on the Tenth Floor, and (vii) Flat B on the Eleventh Floor and Flat Roof, No. 19-21 Shelter Street, Causeway Bay, Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percentage

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

Hong Kong, 4th November, 2008

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  
 Mr. Ma Chi Kong, Karl

*Independent non-executive Directors:*

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