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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)**

## **DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE COMPANY**

On 5th November, 2009, ITC China and Hong Neng entered into the Agreement in relation to the formation of the JV Company. It is intended that the JV Company will be principally engaged in the development and management of a hot spring and resort project in Guiyang, the provincial capital of Guizhou, the PRC. The registered capital of the JV Company is RMB100.0 million (equivalent to approximately HK\$113.6 million), to which ITC China and Hong Neng will contribute RMB45.0 million (equivalent to approximately HK\$51.1 million) and RMB55.0 million (equivalent to approximately HK\$62.5 million) respectively by way of cash in proportion to their respective equity interests of 45% and 55% in the JV Company.

The formation of the JV Company and capital contribution commitment contemplated under the Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Board announces that on 5th November, 2009, the Agreement is entered into between ITC China and Hong Neng in relation to the formation of the JV Company, which will be principally engaged in the development and management of a hot spring and resort project in Guiyang, the provincial capital of Guizhou, the PRC. Set out below are the principal terms of the Agreement.

### **THE AGREEMENT DATED 5TH NOVEMBER, 2009**

#### **Parties**

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

\* *For identification purposes only*

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 are not connected persons of the Company. There was no prior transaction between the Group and Hong Neng or its associates in the past 12 months prior to the date of the Agreement which may require aggregation under Rule 14.22 of the Listing Rules.

### **Scope of business of the JV Company**

It is intended that the JV Company will be principally engaged in the development and management of a hot spring and resort project in Guiyang, the PRC. In particular, it is proposed that Hong Neng will assist the JV Company to obtain the state-owned land use rights certificate(s) of the Land through public listing and bidding process for the development of the Project, which may involve the development of residential, commercial, sports and resort facilities, 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.

The development of the Project is subject to, among other things, the successful bidding of the Land by the JV Company. As at the date of this announcement, neither the JV Company nor ITC China has any commitment relating to the Project other than the capital contribution described in the section headed "Registered capital and investment amount" below.

### **Term of co-operation**

The JV Company shall have a term of 50 years from the date of issue of its business licence. The co-operation period can be extended by applying to Guiyang Ministry of Commerce (貴陽商務部) six months prior to its expiry.

As at the date of this announcement, the JV Company is yet to be established as the formation of the JV Company is subject to the approval from the relevant PRC government authorities. It is expected that such approval will be granted around end of November 2009.

### **Registered capital and investment amount**

The registered capital of the JV Company is RMB100.0 million (equivalent to approximately HK\$113.6 million). ITC China and Hong Neng will contribute RMB45.0 million (equivalent to approximately HK\$51.1 million) and RMB55.0 million (equivalent to approximately HK\$62.5 million) in cash 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 respective contributions by ITC China and Hong Neng will be paid by installments within 4 months after the establishment of the JV Company, with the first installment representing not less than 50% of the registered capital to be contributed within two months of the establishment of the JV Company.

ITC China's contribution of RMB45.0 million (equivalent to approximately HK\$51.1 million) will be made in the form of cash and financed by internal resources of the Group.

It is intended that the capital contributions from ITC China and Hong Neng will be used to fund the acquisition of the Land through public listing and bidding process for the development of the Project. In the event that the JV Company fails to win the bid for the Land, it is intended that the capital contributions will be used to acquire other land in Guiyang for the development of a project similar to the Project.

The total investment amount of the JV Company is RMB200.0 million (equivalent to approximately HK\$227.3 million). It was agreed that the difference between the total investment amount and the registered capital of RMB100.0 million (equivalent to approximately HK\$113.6 million) will be contributed by ITC China and Hong Neng in proportion to their respective equity interests in the JV Company or, if both parties agree, will be funded by external financing.

Apart from the capital contributions set out above, there are no further commitments required for contribution by the parties to the Agreement as at the date of this announcement.

### **Board representation**

The board of the JV Company will comprise of five directors. ITC China and Hong Neng will have the right to nominate two directors and three directors respectively. The managing director of the JV Company will be appointed by Hong Neng.

Upon its establishment, the JV Company will become an associated company of the Company and its results will be equity accounted for in the accounts of the Group.

### **Profit or loss sharing and reimbursement**

ITC China and Hong Neng shall share the profits or losses of the JV Company in proportion to their respective equity interests in the JV Company.

It was agreed that the JV Company shall reimburse Hong Neng the expenditure incurred by Hong Neng, subject to verification by ITC China, in relation to the preliminary work of the Project up to a maximum amount of RMB160.0 million (equivalent to approximately HK\$181.8 million), of which approximately RMB60.0 million (equivalent to approximately HK\$68.2 million) will only be reimbursed to the extent of the refund, set-off or waiver received or enjoyed by the JV Company from the government authorities for the acquisition of the Land.

### **Right of first refusal and tag-along right**

Any transfer of the equity interest in the JV Company by any shareholder to a third party within two years from the date of its establishment shall be subject to the prior written consent of another shareholder. After two years of its establishment, any transfer of equity interest in the JV Company by any shareholder shall be subject to the right of first refusal and tag-along right of the other shareholder as provided in the Agreement.

### **REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY**

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 Group is keen to expand its 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 a tourist attraction.

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. Hong Neng has a well-established business network in Guiyang and has been actively in discussion with the local government authorities in relation to the Project. Given the Group has extensive experience and knowledge in the property, golf and leisure businesses, the Group and Hong Neng consider that the co-operation through the JV Company shall bring synergetic effect to both parties. Accordingly, ITC China and Hong Neng, after arm's length negotiations, entered into the Agreement for the purpose of bidding for the Land to develop the Project.

ITC China and Hong Neng intend to acquire further areas adjacent to the Land if suitable opportunities arise to scale up the Project to include hotel and spa facilities. Development of the Project and acquisition of further land may require additional contribution(s) from both ITC China and Hong Neng. If any further capital contributions are required from ITC China apart from the capital contributions set out in the section headed "Registered capital and investment amount" above, the Company will comply with the relevant requirements of the Listing Rules as and when appropriate.

The Directors consider that the Group's participation in the investment of the JV Company represents a good opportunity to the Group to expand its property, resort and leisure businesses.

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

## **GENERAL INFORMATION**

As one of the applicable percentage ratios in respect of the formation of the JV Company and capital contribution commitment exceeds 5% but is less than 25%, the aforesaid constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **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

“associate(s)” has the same meaning ascribed to it under the Listing Rules

“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 the 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
“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
“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.), a sino-foreign joint venture company to be established in the PRC with limited liability pursuant to the Agreement
“Land”	the parcel of land of approximately 347,054 sq. m. in Wudang District, Guiyang City, Guizhou Province, the PRC 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
“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
“Shareholder(s)”	shareholder(s) of the Company
“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, 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 the relevant currency 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, 5th November, 2009

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