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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)**

**FURTHER UPDATE ON THE MAJOR TRANSACTION  
IN RELATION TO THE DISPOSAL OF INTEREST IN  
PARAGON WINNER COMPANY LIMITED**

The Board wishes to announce that after trading hours of the Stock Exchange on 5th December, 2011, the Vendor and the Purchaser entered into the MOU regarding the Proposal, which covers, among other things, the rescheduled payment dates for the outstanding balance of the Consideration and the possible Amendments to be contained in the Second Supplemental Agreement if the Purchaser shall make certain payments to the Vendor before the Cut Off Date. The MOU does not oblige either the Purchaser or the Vendor to proceed with the Amendments and does not affect any claims or rights the Vendor may have under the Disposal Agreement (as varied and amended by the Supplemental Agreement) such that the Vendor can terminate the Disposal Agreement (as varied and amended by the Supplemental Agreement) and forfeit all the payments that have so far been made by the Purchaser to the Vendor at any time notwithstanding the signing of the MOU and any intervening negotiation on the Amendments.

The Company will make further announcement on the progress of the negotiations and comply with the relevant requirements of the Listing Rules for the Disposal if the Second Supplemental Agreement is entered into.

References are made to the announcements of the Company dated 22nd July, 2010, 16th May, 2011, 1st November, 2011 and 11th November, 2011 (the “**Announcements**”) and the circular of the Company dated 10th August, 2010 (the “**Circular**”) in relation to the major transaction involving the disposal by the Vendor (an indirect wholly-owned subsidiary of the Company) of a 65% (the “**Original Percentage**”) shareholding in Paragon Winner and 65% of all amounts which may be owing by the Paragon Winner Group to the Vendor as at Completion. Capitalised terms used herein have the same meanings as those defined in the Announcements and the Circular unless otherwise specified.

\* For identification purpose only

As disclosed in the announcement of the Company dated 11th November, 2011, the Proposal has been put forward by the Purchaser to the Vendor which involves, among other things, a revised schedule for the payment of the remaining balance of the Consideration and the time of Completion, and the possible adjustment to the percentage of the interest in Paragon Winner and the Vendor's Loans to be acquired by the Purchaser. The Board wishes to announce that after trading hours of the Stock Exchange on 5th December, 2011, the Vendor and the Purchaser entered into a memorandum of understanding (the "MOU") relating to the Proposal. Set out below are the principal matters covered by the MOU.

## THE MOU

Pursuant to the Disposal Agreement (as varied and amended by the Supplemental Agreement), the Consideration should be the aggregate of (i) RMB650.0 million which is payable in Hong Kong dollars of approximately HK\$746.3 million translated at the Exchange Rate; and (ii) an amount equivalent to 65% of all additional loans which was advanced by the Vendor to Paragon Winner and/or by two fellow subsidiaries of Paragon Winner to the PRC Companies from the date of the Disposal Agreement up to Completion, which amount at the date of the MOU is approximately HK\$8.9 million. Based on the above, the total amount of the Consideration is approximately HK\$755.2 million. Up to the date of the MOU, the Purchaser has paid part of the Consideration in an aggregate amount of approximately HK\$255.6 million (excluding interest paid of approximately HK\$6.8 million). The Purchaser intends to pay a further amount of HK\$115.0 million (the "First Amount") on or before 7th December, 2011 and to pay further amounts (the "Second Amount") to the Vendor by 30th December, 2011 (the "Cut Off Date").

If, by the Cut Off Date, the Purchaser shall have paid to the Vendor:

1. the remaining balance of the Consideration (being approximately HK\$384.6 million, based on the HK\$755.2 million mentioned above less HK\$255.6 million already paid up to the date of the MOU and the First Amount); and
2. interest on overdue amount (the "Interest Amount" and together with the remaining balance of the Consideration, the "Remaining Amount") calculated (i) up to and including 12th May, 2011 at the rate of 7% per annum of approximately HK\$6.5 million; (ii) from 13th May, 2011 up to but excluding the date of the MOU calculated at the rate of 10% per annum of approximately HK\$29.0 million; and (iii) from the date of the MOU up to 30th December, 2011 at the rate of 10% per annum which is estimated at approximately HK\$2.8 million,

Completion shall take place on 6th January, 2012.

Based on the estimated Interest Amount of approximately HK\$38.3 million, the Remaining Amount is estimated to be approximately HK\$422.9 million.

If the Purchaser pays in full the First Amount but the Second Amount is less than the Remaining Amount, the Vendor and the Purchaser shall work in good faith to enter into a mutually acceptable supplemental agreement (the "Second Supplemental Agreement") as soon as practicable which shall incorporate the principal terms of the Amendments set out below.

## THE AMENDMENTS

### Assets to be disposed of

The percentage of the shareholding in and shareholder's loan to the Paragon Winner Group to be transferred/assigned to the Purchaser shall be reduced from the Original Percentage of 65% to a new percentage (the "**New Percentage**") to be calculated in accordance with the following formula:

New Percentage = First Percentage + Second Percentage (both as defined hereinbelow)

where

First Percentage = 26% (Note 1)

Second Percentage =  $\frac{\text{Second Amount}}{10,845,000}$  (Note 2)

provided that the New Percentage shall not exceed 49% in any event.

Notes:

1. Immediately after payment of the First Amount, the total amount that have been paid by the Purchaser to the Vendor shall be approximately HK\$370.6 million, which shall be apportioned as to approximately HK\$332.3 million towards the settlement of part of the Consideration (the "**Consideration Portion**") and as to HK\$38.3 million towards the settlement of the Interest Amount. The Consideration Portion represents approximately 44% of the Consideration or a 28.6% interest in Paragon Winner based on the Original Percentage of 65%. The First Percentage of 26% was determined after arm's length negotiations between the Vendor and the Purchaser taking into account, among other things, the 28.6% as mentioned above, the appreciation in Renminbi since the signing of the Disposal Agreement, and the Vendor agreeing to the other Amendments.
2. The Second Percentage represents the percentage of the Second Amount to the Remaining Amount of approximately HK\$422.9 million, which is approximately equivalent to HK\$10,845,000 for each additional 1% interest in Paragon Winner on top of the First Percentage on the basis that the Remaining Amount, if fully paid, shall be equivalent to a 39% interest (i.e. the Original Percentage less the First Percentage) in Paragon Winner.

### Conditions

The Second Supplemental Agreement incorporating the Amendments shall only be effective if the following conditions are fulfilled within 120 days from the date of the Second Supplemental Agreement:

1. the 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 (if required)) of the Second Supplemental Agreement and all transactions contemplated thereunder at a special general meeting of the Company by way of poll; and
2. all other requirements under the Listing Rules or otherwise imposed by the Stock Exchange in connection with the Second Supplemental Agreement having been fully complied with.

If the above conditions are not fulfilled within the aforesaid time, the First Amount and (where applicable) the Second Amount shall be refunded to the Purchaser without any interest but all payments made by the Purchaser prior to the date of the MOU (i.e. approximately HK\$255.6 million not taking into account interest paid which belongs to the Vendor in any event) shall be forfeited by the Vendor and the Disposal Agreement (as varied and amended by the Supplemental Agreement) shall be terminated.

### **Shareholders' Agreement**

It is anticipated that the Second Supplemental Agreement will also amend certain terms in the Shareholders' Agreement to the effect that, among other things, the Put Option will be removed and the Vendor will retain control of the Paragon Winner Group.

### **GENERAL**

The MOU does not oblige either the Purchaser or the Vendor to proceed with the Amendments and is not legally binding except for certain obligations regarding the refund of the First Amount and (where applicable) the Second Amount. In addition, the MOU does not affect any claims or rights which the Vendor may have under the Disposal Agreement (as varied and amended by the Supplemental Agreement) such that the Vendor can terminate the Disposal Agreement (as varied and amended by the Supplemental Agreement) and forfeit all the payments that have so far been made by the Purchaser to the Vendor at any time notwithstanding the signing of the MOU and any intervening negotiation on the Amendments.

The Company will make further announcement on the progress of the negotiations and comply with the relevant requirements of the Listing Rules for the Disposal if the Second Supplemental Agreement is entered into.

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

Hong Kong, 5th December, 2011

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

*Non-executive Director:*

Mr. Ma Chi Kong, Karl

*Independent non-executive Directors:*

Hon. Shek Lai Him, Abraham, SBS, JP (*Vice Chairman*)  
Mr. Wong Chi Keung, Alvin  
Mr. Kwok Ka Lap, Alva