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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 RELATING TO THE DISPOSAL AND THE GRANT OF OPTIONS OVER SHARES IN ITC GOLF & LEISURE GROUP LIMITED

THE AGREEMENT

The Board is pleased to announce that after trading hours of the Stock Exchange on 18th February, 2014, the Company, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to which (i) the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Interest at the consideration of HK\$200.0 million; and (ii) the Vendor granted the Call Option to the Purchaser to purchase the Tranche A Interest at the consideration of HK\$250.0 million. Upon completion of the sale and purchase of the Tranche A Interest under the Call Option (if exercised by the Purchaser), the Purchaser will grant the Put Option to the Vendor to require the Purchaser to purchase the Tranche B Interest from the Vendor at the consideration of HK\$112.5 million.

The Sale Interest, the Tranche A Interest and the Tranche B Interest represent 33.7%, 46.3% and 20.0% of the issued share capital of the Target respectively as at the date of the Agreement.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal and the grant of the Call Option (including the disposal of the Tranche A Interest upon the exercise thereof) are above 5% but less than 25%, the Disposal and the grant of the Call Option constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules. The Company shall make further announcement(s) on the exercise or transfer (if any) or expiry of the Call Option in accordance with Rules 14.74 and 14.77 of the Listing Rules, and comply with Rule 14.75(2) if the Vendor exercises the Put Option.

The Board is pleased to announce that after trading hours of the Stock Exchange on 18th February, 2014, the Company, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to which (i) the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Interest; and (ii) the Vendor granted the Call Option in favour of the Purchaser in respect of the Tranche A Interest, on terms described below.

THE AGREEMENT

Date

18th February, 2014

Parties

- (i) the Vendor, an indirect wholly-owned subsidiary of the Company;
- (ii) the Purchaser; and
- (iii) the Company.

The Purchaser is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Interest, together with all rights attaching thereto and free from liens, charges, encumbrances and third party rights. The Sale Interest represents 33.7% of the issued share capital of the Target as at the date of the Agreement.

The Company as the guarantor undertakes that as at the date of the Agreement, there are no outstanding borrowings owed by the Target, New Smarten, Everight and the Associated Companies to any third party, other than those which has been disclosed to the Purchaser in the management accounts of the Target Group as at 30th November, 2013.

Upon completion of the Disposal, the Group still retained 66.3% of the issued share capital of the Target. Taking into consideration the Purchaser's present intention to exercise the Call Option which will reduce the Group's interest in the Target to 20%, the Target will be accounted for as an associated company of the Group. However, if eventually the Purchaser does not exercise the Call Option, the Target will be reclassified as a subsidiary of the Group after the expiry of the Call Option. The Company shall make further announcement(s) on the exercise or expiry of the Call Option.

Consideration and completion

The consideration for the Sale Interest amounts to HK\$200.0 million and has been paid by the Purchaser in cash upon completion of the Disposal, which took place immediately after signing of the Agreement.

The Call Option

Under the Agreement, the Vendor also granted the Call Option to the Purchaser in consideration of HK\$1 paid by the Purchaser to the Vendor. Under the Call Option, the Purchaser has the right after completion of the Disposal by written notice issued on or before 30th April, 2014 to require the Vendor to sell to it the Tranche A Interest at the exercise price of HK\$250.0 million, payable upon completion of the sale and purchase of the Tranche A Interest, which shall take place within seven (7) Business Days after the date of the issue of such notice to the Vendor (or such later date as may be agreed by the parties but in any event no later than ten (10) Business Days after the issue of the notice). The Tranche A Interest represents 46.3% of the issued share capital of the Target as at the date of the Agreement. Assuming the Call Option is exercised and the sale and purchase thereunder completed, the Group will remain to hold a 20.0% interest in the Target and the Target will be accounted for as an associated company of the Group.

The Vendor shall procure that before completion of the sale and purchase of the Tranche A Interest or (if the Call Option is not exercised by the Purchaser) up to 30th April, 2014, the Target will not issue any new shares or securities, and none of the Target, New Smarten, Everight or any of the Associated Companies shall borrow from any third party (other than shareholder(s)' loan pursuant to the Shareholders' Agreement and/or the Paragon Winner Shareholders' Agreement).

SHAREHOLDERS' AGREEMENT

Upon completion of the Disposal, the Purchaser, the Vendor and the Target have entered into the Shareholders' Agreement to govern the respective rights and obligations of the parties as shareholders of the Target. In particular, the Shareholders' Agreement contains the following provisions:

- (i) Financing – if the board of directors of the Target shall resolve that additional capital is required for the business of the Target Group, such additional capital requirement shall be funded by the Vendor and the Purchaser in proportion to their respective shareholding percentage in the Target upon the call of the board of directors of the Target provided that the maximum obligation of the Purchaser and the Vendor on or before 30th April, 2014 for such additional capital shall not exceed HK\$8.0 million;
- (ii) Board representation – the board of directors of the Target shall comprise three (3) directors who shall be nominated by the Vendor. The Purchaser is not entitled to appoint any directors to the board of directors of any member of the Target Group;

- (iii) Pre-emption and co-sell right – if a shareholder wishes to dispose of its interest in the Target to a third party, the other shareholder(s) is/are entitled to a pre-emption right to purchase all (but not part only) of the shares in and loans to the Target which the transferring shareholder intends to dispose at the same price and material terms. Alternatively, it is/they are entitled to a co-sell right whereby it/they may dispose of its/their proportional interest in the Target on the same terms; and
- (iv) New issue of securities and lending – the Target shall not issue any new shares or securities, and no members of the Target Group and the Associated Companies shall borrow from any third party (other than shareholder(s)' loan under the Shareholders' Agreement and/or the Paragon Winner Shareholders' Agreement, at any time on or before 30th April, 2014.

RESTATED SHAREHOLDERS' AGREEMENT

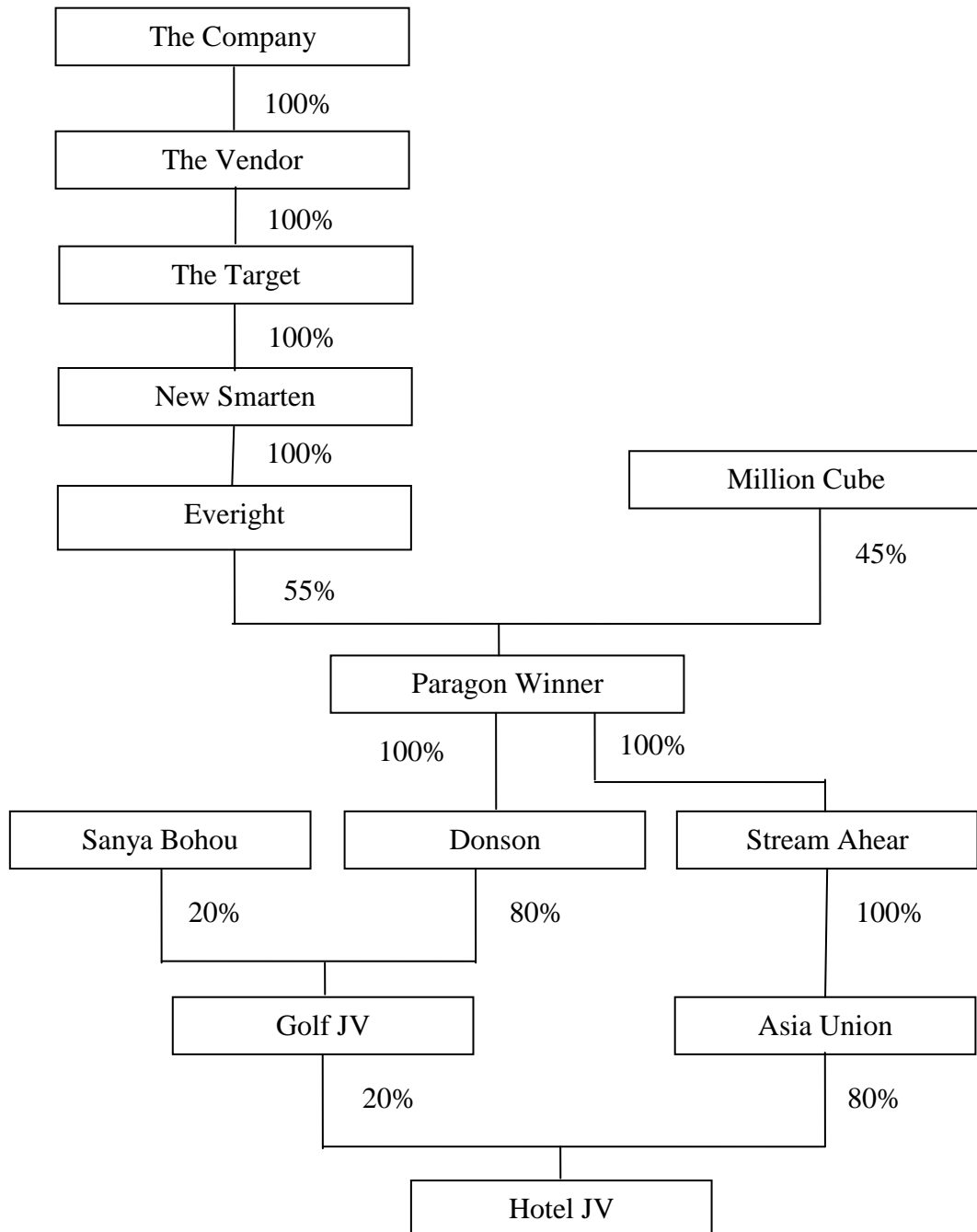
Upon completion of the sale and purchase of the Tranche A Interest under the Call Option, the Vendor, the Purchaser and the Target shall enter into the Restated Shareholders' Agreement to replace the Shareholders' Agreement. The Restated Shareholders' Agreement is in substantially the same terms as the Shareholders' Agreement except the following:

- (i) Financing – shareholders have no obligation to provide further financing to the Target Group except with unanimous consent of the shareholders of the Target;
- (ii) Board representation – the Purchaser shall have the right to appoint 2 out of 3 directors of the board of the Target; 3 out of 7 and 3 out of 5 directors to the board of the Golf JV and the Hotel JV respectively; 2 out of 3 directors to the board of all the wholly-owned subsidiaries of the Target; and for non wholly-owned subsidiaries of the Target, the composition of the board shall be governed by the respective shareholders' agreement with third party shareholder(s) of such non wholly-owned subsidiary, and in the event the Target (or its subsidiaries) have the right to appoint 3 or more directors to the board of such non wholly-owned subsidiary, one (1) of such directors shall be appointed by the Vendor and the rest by the Purchaser; and
- (iii) Put Option – in consideration of a premium of HK\$1, the Purchaser shall grant to the Vendor the right, exercisable during the period commencing on the first anniversary of the date of the Agreement and ending on the second anniversary of the date of the Agreement, to require the Purchaser to purchase the Tranche B Interest at the consideration of HK\$112.5 million, payable upon completion of the sale and purchase of the Tranche B Interest under the Put Option. If exercised, completion of the sale and purchase of the Tranche B Interest under the Put Option shall take place within seven (7) Business Days after the issue of the exercise notice (or such later date as may be agreed by the parties but in any event no later than ten (10) Business Days after the issue of such notice).

The Tranche B Interest represents 20.0% of the issued share capital of the Target as at the date of the Agreement. After the exercise of the Put Option and completion of the sale and purchase thereunder, the Group shall cease to hold any interest in the Target. The Company will comply with the requirements of the Listing Rules if the Vendor shall decide to exercise the Put Option.

INFORMATION ON THE TARGET

The Target is an investment holding company whose principal asset is its 55% indirect interest in Paragon Winner. New Smarten, Everright, Paragon Winner, Donson, Stream Ahear and Asia Union are special purpose vehicles established for the purpose of holding interests in the Golf JV and the Hotel JV. The Golf JV is owned as to 80% by Donson and 20% by Sanya Bohou. The Hotel JV is owned as to 80% by Asia Union and 20% by the Golf JV. Accordingly, the Group has a 44% effective interest in the Golf JV and a 52.8% effective interest in the Hotel JV respectively. Set out below is the simplified shareholding structure of the Target Group as at the date of this announcement:



The Golf JV is involved in the operation of the Golf Resort located on, and development and operation of golf or hotel related properties over various parcels of land with an aggregate site area of approximately 2,580,192.90 m² in Bohou Village, Yalong Bay, National Resort Area, Sanya City, Hainan Province, the PRC. The Hotel JV intends to develop and operate the planned hotel development over a parcel of land with a site area of approximately 192,270.45 m² in Yalong Bay, Sanya City, the PRC and has not carried out any other business since its incorporation. The Golf Resort currently operates a 27-hole golf course and a clubhouse with food and beverage outlet and gift shop.

For the year ended 31st March, 2012, the Target Group recorded profit from continuing operations (both before and after tax) of approximately HK\$35.0 million. For the year ended 31st March, 2013, the Target Group recorded loss from continuing operations (both before and after tax) of approximately HK\$25.6 million.

As at 30th November, 2013, the net asset value of the Target Group amounted to approximately HK\$114.8 million.

DETERMINATION OF THE CONSIDERATION

As stated in the Previous Announcements and Circulars, the Group entered into a sale and purchase agreement on 21st July, 2010 with Million Cube for the disposal of 65% interests in Paragon Winner for a consideration of RMB650.0 million (payable in Hong Kong dollars of approximately HK\$746.3 million) (the “**Previous Disposal**”). As disclosed in the Previous Announcements and Circulars, due to the financial difficulties encountered by Million Cube, eventually only a 45% interest of Paragon Winner was disposed of to Million Cube in May 2012. The consideration for the Sale Interest and the respective exercise prices of the Call Option and the Put Option are determined after arm’s length negotiations between the Vendor and the Purchaser with reference to (i) the consideration of the Previous Disposal; and (ii) the proportionate percentage interest in the Target attributable to the Sale Interest (equivalent to approximately 18.5% effective interest in Paragon Winner), the Tranche A Interest (equivalent to approximately 25.5% effective interest in Paragon Winner) and the Tranche B Interest (equivalent to 11.0% effective interest in Paragon Winner) respectively; and taking into account the general decline in the property market in the PRC after 2010 and the fact that the Sale Interest is an indirect interest in Paragon Winner in which Million Cube has a direct substantial shareholding interest.

FINANCIAL EFFECTS OF THE DISPOSAL, THE CALL OPTION AND THE PUT OPTION

Based on the consideration for the Sale Interest of HK\$200.0 million and the net asset value of the Target Group as at 30th November, 2013 attributable to the Sale Interest of approximately HK\$38.7 million, the Disposal is expected to result in a gain before taxes and expenses of approximately HK\$161.3 million.

Based on the exercise price of the Call Option of HK\$250.0 million and the net asset value of the Target Group as at 30th November, 2013 attributable to the Tranche A Interest of approximately HK\$53.1 million, the Group is expected to record a gain before taxes and expenses of approximately HK\$196.9 million if the Call Option is exercised.

Based on the exercise price of the Put Option of HK\$112.5 million and the net asset value of the Target Group as at 30th November, 2013 attributable to the Tranche B Interest of approximately HK\$23.0 million, the Group is expected to record a gain before taxes and expenses of approximately HK\$89.5 million if the Put Option is exercised.

Shareholders of the Company and investors should note that the exact amounts of gain to be recorded from the Disposal and the exercise of the Call Option and the Put Option are to be determined with reference to the fair values attributable to the Sale Interest, the Call Option, the Tranche A Interest, the Put Option and the Tranche B Interest as at their respective completion dates. Furthermore, the Call Option and the Put Option may or may not be exercised and the gain described above may not realise.

REASONS FOR THE DISPOSAL

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 the development and investments of golf resort and leisure operations in the PRC, securities investments and the provision of loan financing services.

As disclosed in the Previous Announcements and Circulars, the Company had reduced its interest in Paragon Winner to realise capital gain from its investment in the Golf JV and the Hotel JV. The Directors consider that the Agreement provides the opportunity to the Company to further reduce its indirect interest in and unlock the value created at the Golf JV and the Hotel JV, and generate cash inflow to the Group. Due to the financial difficulties of Million Cube, there were significant deferrals in the completion of the Previous Disposal and eventually 45% interest (instead of 65% interest as agreed in the initial relevant sale and purchase agreement) in Paragon Winner was disposed of to Million Cube. The Directors consider that the Agreement encompassing the Call Option enables the Group to realise its investment in the Target by stages and to accommodate the time schedule of funding arrangement of the Purchaser thereby avoiding any undue delays in completion which may be encountered as in the Previous Disposal. The terms of the Shareholders' Agreement enables the Group to retain control over the management of the Target Group until the Purchaser exercises the Call Option and thereby acquiring a majority stake in the Target. The Put Option also provides flexibility to the Group in dealing with the remaining Tranche B Interest. Based on the above, the Directors are of the view that the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The proceeds (net of expenses directly attributable thereto) from the Disposal amount to approximately HK\$200.0 million and are intended to be used as working capital of the Group. The proceeds (net of expenses directly attributable thereto) from the disposal of the Tranche A Interest and the Tranche B Interest upon the exercise of the Call Option and the Put Option are expected to amount to approximately HK\$250.0 million and HK\$112.5 million respectively and are also intended to be used as working capital of the Group.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal and the grant of the Call Option (including the disposal of the Tranche A Interest upon the exercise thereof) are above 5% but less than 25%, the Disposal and the grant of the Call Option constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules. The Company shall make further announcement(s) on the exercise or transfer (if any) or expiry of the Call Option in accordance with Rules 14.74 and 14.77 of the Listing Rules, and comply with Rule 14.75(2) if the Vendor exercises the Put Option.

DEFINITIONS

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

“Agreement”	the agreement dated 18th February, 2014 entered into among the Company, the Vendor and the Purchaser in relation to the Disposal and the grant of the Call Option
“Asia Union”	Asia Union Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Stream Ahear
“Associated Companies”	Paragon Winner, Donson, Stream Ahear, Asia Union, the Golf JV and the Hotel JV
“Board”	the board of the Directors
“Business Day(s)”	a day(s) (other than Saturday, Sunday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m.) on which the licensed banks in Hong Kong are generally open for business
“BVI”	British Virgin Islands
“Call Option”	the call option to be exercised at the discretion of the Purchaser on or before 30th April, 2014 to purchase the Tranche A Interest from the Vendor
“Company”	ITC Properties Group Limited (Stock Code : 199), a company incorporated in Bermuda with limited liability and whose issued shares are listed on the Main Board of the Stock Exchange

“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest by the Vendor to the Purchaser under the Agreement
“Donson”	Donson (International) Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Paragon Winner
“Everight”	Everight Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of New Smarten
“Golf JV”	三亞亞龍灣風景高爾夫文化公園有限公司 (Sanya Yalong Bayview Golf Garden Co., Ltd.*), a company incorporated in the PRC which is owned as to 80% by Donson and 20% by Sanya Bohou
“Golf Resort”	Sanya Sun Valley Golf Resort located at Bohou Village, Yalong Bay, National Resort Area, Sanya City, Hainan Province, the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel JV”	三亞亞龍灣紅峽谷度假酒店有限公司 (Sanya Yalong Bay Sun Valley Hotel Co., Ltd.*), a company incorporated in the PRC which is owned as to 20% by the Golf JV and 80% by Asia Union
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Million Cube”	Million Cube Limited, a company incorporated in the BVI with limited liability
“New Smarten”	New Smarten Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target
“Paragon Winner”	Paragon Winner Company Limited, a company incorporated in the BVI, 55% interest of which is indirectly owned by the Target

“Paragon Winner Shareholders’ Agreement”	the shareholders’ agreement in relation to Paragon Winner dated 19th September, 2012 entered into between Everight and Million Cube
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Previous Announcements and Circulars”	the announcements of the Company dated 22nd July, 2010, 26th August, 2010, 16th May, 2011, 1st November, 2011, 11th November, 2011, 5th December, 2011, 3rd January, 2012, 18th January, 2012, 20th February, 2012, 20th March, 2012, 2nd April, 2012, 2nd May, 2012, 14th May, 2012, 31st July, 2012 and 19th September, 2012 and the circulars of the Company dated 10th August, 2010 and 26th April, 2012
“Purchaser”	Kang Cheng Holdings Limited, a company incorporated in the BVI with limited liability
“Put Option”	the option to be granted to and exercised at the discretion of the Vendor to sell the Tranche B Interest to the Purchaser under the terms of the Restated Shareholders’ Agreement
“Restated Shareholders’ Agreement”	the restated shareholders’ agreement in relation to the Target Group to be entered into between the Vendor, the Purchaser and the Target upon completion of the sale and purchase of the Tranche A Interest on exercise of the Call Option, which shall replace the Shareholders’ Agreement
“Sale Interest”	337 shares of US\$1 each in the capital of the Target sold by the Vendor to the Purchaser under the Agreement
“Sanya Bohou”	三亞博后經濟開發有限公司 (Sanya Bohou Economic Development Co., Ltd.*)
“Shareholders’ Agreement”	the shareholders’ agreement in relation to the Target Group dated 18th February, 2014 entered into between the Vendor, the Purchaser and the Target
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stream Ahead”	Stream Ahead International Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Paragon Winner
“Target”	ITC Golf & Leisure Group Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company as at the date of the Agreement
“Target Group”	the Target and its subsidiaries

“Tranche A Interest”	463 issued shares of US\$1 each in the capital of the Target representing 46.3% of the issued share capital of the Target, which is subject to the Call Option
“Tranche B Interest”	200 issued shares of US\$1 each in the capital of the Target representing 20% of the issued share capital of the Target, which is subject to the Put Option
“Vendor”	ITC Properties (PRC) Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.
“m ² ”	square metre(s)

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 trade names used by them. In the event of 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
Wong Kim Man
Company Secretary

Hong Kong, 18th February, 2014

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

Independent non-executive Directors:

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

* *For identification purpose only*