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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 ACQUISITION OF FURTHER INTEREST IN AND  
THE ADDITIONAL GUARANTEE GRANTED TO  
A JOINT VENTURE**

The Board announces that after trading hours of the Stock Exchange on 5th September, 2013, Cheery Paradise, an indirect wholly-owned subsidiary of the Company, has acquired the Sale Shares at a consideration of approximately HK\$55.3 million. The Sale Shares represent 20% of the issued share capital of Expert Dragon, in which Cheery Paradise already holds 30% immediately prior to the Acquisition. Expert Dragon in turn holds the entire interest in Land Express, the owner of the Property. After the Acquisition, Cheery Paradise owns 50% interest in Expert Dragon.

The Company and the other ultimate shareholders of Land Express have provided guarantee in favour of ICBC in respect of the Bank Loan on a several basis in proportion to their respective shareholding interests in Land Express. As a result of the Acquisition, the Company's liabilities under the Guarantee increased from 30% of the total liabilities of Land Express under the Bank Loan to 50% of such liabilities. In this respect, the maximum contingent liability of the Company under such guarantee increased from HK\$69.8 million to HK\$116.4 million.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of (a) the Acquisition (including the corresponding Guarantee Increase); and (b) the total contingent liability under the Guarantee (inclusive of the liabilities thereunder as disclosed in the announcement of the Company dated 19th December, 2012) are above 5% but less than 25%, each of the Acquisition and the Guarantee Increase constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements of the Listing Rules.

\* For identification purpose only

## **THE AGREEMENT**

### **(1) Date:**

5th September, 2013 (after trading hours of the Stock Exchange)

### **(2) Parties:**

- (i) Cheery Paradise, an indirect wholly-owned subsidiary of the Company, being the Purchaser; and
- (ii) Red Treasure, the legal and beneficial owner of 30% of the issued share capital of Expert Dragon before the Acquisition, being the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons. The principal activity of the Vendor is investment holding.

### **(3) Assets acquired:**

The assets acquired are the Sale Shares which represent 20% of the issued share capital of Expert Dragon.

Expert Dragon is a joint venture formed in October 2012 and held as to 40% by Giant Sino and (until the Acquisition) 30% by the Vendor and 30% by the Purchaser. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Giant Sino and its ultimate beneficial owner(s) are also third parties independent of the Company and its connected persons. Expert Dragon holds the entire interest in Land Express which in turn is the owner of the Property. After the Acquisition, Cheery Paradise owns a 50% interest in Expert Dragon.

The Acquisition was completed on 5th September, 2013.

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

The Consideration is approximately HK\$55.3 million which has been paid by internal resources of the Group upon completion of the Acquisition.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the unaudited consolidated net assets of the Expert Dragon Group of approximately HK\$274.0 million as at 31st July, 2013; and (ii) the valuation of the Property at HK\$507.0 million as at 31st March, 2013 conducted by an independent valuer.

## GUARANTEE UNDER THE BANK LOAN

The Bank Loan is utilised to partially finance the acquisition of the Property by Land Express and of which the final repayment date is December 2017. In addition to the securities provided by Land Express, all ultimate beneficial owners of Land Express are required to provide guarantee in favour of ICBC in respect of the Bank Loan on a several basis in proportion to their respective shareholding interests in Land Express. As a result of the Acquisition, the Company increased its guarantee of the total liabilities due by Land Express under the Bank Loan from 30% to 50%.

As at the date of this announcement, the outstanding principal of the Bank Loan is HK\$232.8 million. In this respect, the maximum contingent liability of the Company under the Guarantee increased by approximately HK\$46.6 million from approximately HK\$69.8 million to approximately HK\$116.4 million.

## INFORMATION ON THE EXPERT DRAGON GROUP

Land Express is a wholly-owned subsidiary of Expert Dragon, which in turn was owned as to 30%, 30% and 40% by the Purchaser, the Vendor and Giant Sino respectively before the Acquisition. The sole activity of Expert Dragon is the holding of interest in Land Express, which is a special purpose vehicle incorporated solely for the acquisition and holding of the Property. The Property has a gross floor area of approximately 21,000 sq. ft. currently earning a rental income of approximately HK\$1.2 million per month.

Set out below is the unaudited consolidated financial information of the Expert Dragon Group as at 31st July, 2013, for the periods from 28th February, 2012 (date of incorporation of Expert Dragon) to 31st March, 2013 and from 1st April, 2013 to 31st July, 2013 respectively prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>From 28th February, 2012 to 31st March, 2013</b>	<b>From 1st April, 2013 to 31st July, 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4,815	5,433
Profit before taxation	2,164	2,334
Profit after taxation	2,164	2,334
		<b>As at 31st July, 2013</b>
		<i>HK\$'000</i>
Total assets		509,723
Net assets		273,980

The Group continues to account for Expert Dragon as an associated company after the Acquisition.

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

The significant indirect interest in Land Express is an extension of the Group's business in property investment. The Acquisition represents an attractive opportunity for the Group to further increase its investment in Hong Kong property at good location. The Board considers the terms of the Agreement and the resulting Guarantee Increase are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of (a) the Acquisition (including the corresponding Guarantee Increase); and (b) the total contingent liability under the Guarantee, inclusive of the liabilities thereunder as disclosed in the announcement of the Company dated 19th December, 2012 are above 5% but less than 25%, each of the Acquisition and the Guarantee Increase constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 5th September, 2013 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares
“Bank Loan”	the term loan facility by ICBC to Land Express in the principal amount of up to HK\$240.0 million pursuant to the loan documents dated 17th December, 2012
“Board”	the board of the Directors
“BVI”	the British Virgin Islands
“Cheery Paradise” or “Purchaser”	Cheery Paradise Company Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company

“Company”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares (Stock Code : 199) of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Sale Shares payable by the Purchaser to the Vendor pursuant to the terms and conditions of the Agreement
“Directors”	the directors of the Company
“Expert Dragon”	Expert Dragon Limited, a company incorporated in BVI with limited liability which owns the entire issued share capital of Land Express
“Expert Dragon Group”	Expert Dragon and Land Express
“Giant Sino”	Giant Sino Holdings Limited, a company incorporated in BVI with limited liability which owns 40% interest in Expert Dragon
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee executed by the Company in favour of ICBC dated 19th December, 2012 in respect of the liabilities of Land Express owing to ICBC under the Bank Loan
“Guarantee Increase”	the increase in the contingent liabilities of the Company under the Guarantee, from 30% to 50% of the liabilities of Land Express owing to ICBC under the Bank Loan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC”	Industrial and Commercial Bank of China (Asia) Limited
“Land Express”	Land Express (Golden Centre) Limited, a company incorporated in the BVI with limited liability
“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
“Property”	the basement floor, ground floor, first floor of Golden Centre (together with the upper floors known as “Golden Court”, the “Building”), flat roof, main roof, domestic external walls and commercial external walls of the Building, No. 94 Yen Chow Street, No. 145 Fuk Wing Street, Sham Shui Po, Kowloon, Hong Kong
“Red Treasure” or “Vendor”	Red Treasure Limited, a company incorporated in the BVI with limited liability which owned a 30% interest in Expert Dragon immediately prior to the Acquisition
“Sale Shares”	20 shares of US\$1 each in the capital of Expert Dragon
“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	United States dollar, the lawful currency of the United States of America
“sq. ft.”	square feet
“%”	per cent.

By order of the Board  
**ITC Properties Group Limited**  
Wong Kim Man  
*Company Secretary*

Hong Kong, 5th September, 2013

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