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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
IN RELATION TO THE SETTLEMENT DEED AND
THE DISPOSAL OF THE ENTIRE INTEREST IN
NEWSKILL INVESTMENTS LIMITED**

THE SETTLEMENT DEED AND THE DISPOSAL AGREEMENT

After trading hours of the Stock Exchange on 19th June, 2015, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Settlement Deed and the Disposal Agreement pursuant to which (i) the Vendor shall be released from the payment obligation of the Retention Moneys of approximately HK\$324.4 million; and (ii) the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Sale Loan at an aggregate consideration of HK\$595.0 million.

The Sale Shares represent the entire issued share capital of Newskill. Newskill indirectly holds the entire interest in the Project Company which is engaged in the Property Development Project. Upon Completion, the Group shall cease to hold any interest in Newskill and Newskill will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Settlement Deed (including the Disposal) are more than 5% but less than 25%, the transactions contemplated under the Settlement Deed (including the Disposal) constitute a discloseable transaction for the Company and are therefore subject to reporting and announcement requirements under the Listing Rules.

* *For identification purpose only*

SETTLEMENT DEED

As disclosed in the Announcement and the Circular, the Vendor (as purchaser) and the Purchaser (as vendor) entered into the BSP Agreement on 15th December, 2009 for the sale and purchase of 92% of the issued share capital of Newskill. Pursuant to the BSP Agreement, the Purchaser has undertaken to fulfill the Conditions Subsequent (as defined below) to facilitate the Project Company to commence the Property Development Project. In this respect, the Purchaser is principally responsible for handling the relevant matters on behalf of the Project Company. In May 2015, the Purchaser informed the Group that the Land has been resumed by the local government on the ground of public interest and implementation of revised town planning schemes, with the use of the Land being changed from “office, commercial and financial” as originally stipulated in its land use certificate to “cultural entertainment together with commercial and financial” use, but the Project Company is entitled to receive cash compensation (the “**Compensation**”) from the local government. Based on advice of the Group’s PRC legal advisers, the compensation amount is to be determined after application for the Claim has been made by the Project Company.

Under the BSP Agreement, the Purchaser has to fulfill various undertakings, including but not limited to the following conditions subsequent (the “**Conditions Subsequent**”), details of which are set out in the Circular, which the Purchaser acknowledges it has failed to fulfill:

- (a) to procure completion of the Demolition and Resettlement;
- (b) to procure that all relevant approvals, permits and consents from the relevant PRC authorities for the development plan of the Property Development Project; and
- (c) to deliver vacant possession of the Land to the Project Company.

The Vendor has, out of the Acquisition Consideration, retained an aggregate amount of approximately HK\$324.4 million (the “**Retention Moneys**”).

In view of the above, after trading hours of the Stock Exchange on 19th June, 2015, the parties to the BSP Agreement entered into the Settlement Deed, pursuant to which, among other things, (i) the Purchaser undertakes to purchase back the entire issued share capital of and shareholder’s loans due by Newskill at the aggregate consideration of HK\$595.0 million under the terms of the Disposal Agreement; and (ii) the Purchaser waives the Retention Moneys.

THE DISPOSAL AGREEMENT

Date

19th June, 2015

Parties

- (i) Vendor: ITC Properties (China) Limited, an indirect wholly-owned subsidiary of the Company; and

- (ii) Purchaser: Bright Sino Profits Limited which is 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 owners are third parties independent of the Company and its connected parties.

Assets being disposed of

The assets to be disposed of by the Vendor and to be acquired by the Purchaser pursuant to the Disposal Agreement comprise (i) the Sale Shares, being the entire issued share capital of Newskill as at the date of the Disposal Agreement and on Completion; and (ii) the Sale Loan. The amount of the shareholder's loan owing by Newskill to the Vendor as at the date of the Disposal Agreement was approximately HK\$359.7 million.

Consideration

The aggregate consideration for the Sale Shares and the Sale Loan is HK\$595.0 million which shall be apportioned as follows:

- (i) the portion of the Consideration attributable to the Sale Loan shall be the face value thereof on a dollar-for-dollar basis; and
- (ii) the remaining balance of the Consideration shall be attributable to the Sale Shares.

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

- (i) a sum of HK\$200.0 million has been paid upon Completion; and
- (ii) the balance of the Consideration shall be paid on or before 30th October, 2015.

The balance of the Consideration is secured by a mortgage, incorporating an assignment of the Sale Loan, in respect of the Sale Shares executed by the Purchaser in favour of the Vendor.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the Acquisition Consideration of HK\$960.0 million for the acquisition of the entire interest in Newskill under the Acquisition Agreements as set out in the Announcement and the Circular, net of the Retention Moneys of approximately HK\$324.4 million as at the date of the Disposal Agreement, and having taken into account the costs and time that may be incurred to conduct the Claim and recover the Compensation.

Completion

Completion has taken place on 19th June, 2015 immediately after the signing of the Disposal Agreement.

INFORMATION ON THE NEWSKILL GROUP

The principal activity of Newskill is investment holding and its sole asset is the investment in the entire issued share capital of Joyful Honour. Joyful Honour holds all the equity interest in the Project Company. The principal activity of the Project Company is the Property Development Project.

Set out below is the unaudited consolidated financial information of the Newskill Group for the two years ended 31st March, 2015 and 31st March, 2014 respectively, prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31st March,	
	2015	2014
	<i>HK\$' 000</i>	<i>HK\$' 000</i>
Turnover	-	-
Loss before taxation	1,793	1,582
Loss after taxation	1,793	1,582

The unaudited consolidated net assets of the Newskill Group as at 31st March, 2015 amounted to approximately HK\$603.5 million.

Upon Completion, the Group shall cease to hold any interest in Newskill and Newskill will cease to be a subsidiary of the Company.

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, investment and operation of hotels and resorts in the PRC and Hong Kong, securities investment and the provision of loan financing services.

The Group considers that it may not be in its best interest to pursue the Claim in view of the time and costs that may be incurred to conduct the same and to recover the Compensation. In the circumstances and having considered that the Conditions Subsequent have not been fulfilled, as part of the Settlement Deed, the Vendor and the Purchaser agreed that the Property Development Project shall be sold back to the Purchaser under the terms of the Disposal Agreement. In addition to the Disposal, pursuant to the Settlement Deed, the Vendor shall be released from the payment obligation of the Retention Moneys of approximately HK\$324.4 million.

The proceeds (net of expenses directly attributable thereto) receivable by the Group from the Disposal are estimated to be approximately HK\$594.0 million which are intended to be used as the Group's general working capital and for other property and hotel development projects being undertaken or to be undertaken by the Group.

The Disposal is expected to result in a loss (before tax and expenses) of approximately HK\$43.8 million for the Group, which is calculated based on (i) the Consideration of HK\$595.0 million; (ii) the Retention Moneys to be waived by the Purchaser in the amount of approximately HK\$324.4 million; (iii) the net assets of the Newskill Group of approximately HK\$603.5 million as at 31st March, 2015; and (iv) the balance of the shareholder's loan owing by the Newskill Group to the Vendor of approximately HK\$359.7 million as at 31st March, 2015.

Based on the above, the Directors are of the view that the terms of the Settlement Deed, including the Disposal, which would enable the Group to recover substantially all of its investment costs in the Property Development Project and devote its resources to other property projects currently being undertaken or to be undertaken, is in the interests of the Company and the Shareholders as a whole and the terms of the Settlement Deed, including the Disposal Agreement are fair and reasonable.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Settlement Deed (including the Disposal) are more than 5% but less than 25%, the transactions contemplated under the Settlement Deed (including the Disposal) constitute a discloseable transaction and are therefore subject to reporting and announcement requirements under the Listing Rules.

DEFINITION

In this announcement, the following terms have the following meanings:

“Acquisition Agreements”	collectively, the BSP Agreement and the Cango Agreement
“Acquisition Consideration”	the aggregate cash consideration in the amount of HK\$960 million payable by the Vendor to the vendors under the Acquisition Agreements
“Announcement”	the announcement of the Company dated 23rd December, 2009 in relation to the Acquisition Agreements
“BSP Agreement”	the agreement dated 15th December, 2009 entered into between the Vendor as purchaser, Bright Sino Profits Limited (i.e. the Purchaser) as vendor, the Company as guarantor for the Vendor and Tang Chi Ming as guarantor for the Purchaser in relation to the sale and purchase of 92% of the issued share capital of Newskill and (if any) the corresponding shareholders' loans, as may be amended and supplemented

“BVI”	the British Virgin Islands
“Cango Agreement”	the agreement dated 15th December, 2009 entered into between the Vendor as purchaser and Cango Trading Limited as vendor in relation to the sale and purchase of 8% of the issued share capital of Newskill and the corresponding shareholders’ loans
“Circular”	the circular of the Company dated 31st May, 2010 in relation to the Acquisition Agreements
“Claim”	the claim to be made by the Project Company against the local government in the PRC for compensation in relation to the resumption of the Land
“Company”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code : 199)
“Completion”	completion of the Disposal Agreement
“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 pursuant to the terms of the Disposal Agreement
“Demolition and Resettlement”	demolition of all structures on the Land and resettlement of all occupiers (拆遷安置) thereon in compliance with the Permit for Demolition and Removal Chai Xu Zi (2006) No. 27 (拆許字(2006)第 27 號《房屋拆遷許可證》) and the relevant laws and regulations and requirements of all relevant PRC authorities and all contractual obligations of the Project Company
“Director(s)”	director(s) of the Company
“Disposal”	the disposal by the Vendor of the Sale Shares and the Sale Loan pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the agreement dated 19th June, 2015 entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joyful Honour”	Joyful Honour Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Newskill
“Land”	the parcel of land situated at the junction of 中山五路 (Zhongshan Wu Road) and 教育路 (Education Road) in 越秀區 (Yuexiu District), Guangzhou, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Newskill”	Newskill Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor before Completion
“Newskill Group”	Newskill and its subsidiaries
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Project Company”	廣州捷榮房地產開發有限公司 (Guangzhou Jierong Real Estate Development Co., Ltd.), a company incorporated in the PRC with limited liability which was a joint venture between Joyful Honour and 廣州市地下鐵道總公司 (Guangzhou Metro Corporation)
“Property Development Project”	the property development project named “JY-1 Project” to be carried out by the Project Company on the Land
“Purchaser”	Bright Sino Profits Limited, a company incorporated in the BVI with limited liability
“Sale Loan”	all the amounts which may be owing by Newskill to the Vendor as at Completion
“Sale Shares”	100 shares of US\$1 each in the capital of Newskill, representing the entire issued share capital of Newskill as at the date of the Disposal Agreement and at Completion
“Settlement Deed”	the settlement deed entered into between the Vendor, the Purchaser, the Company and Tang Chi Ming in respect of the BSP Agreement

“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	ITC Properties (China) Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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
Cheung Hon Kit
Chairman

Hong Kong, 19th June, 2015

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
Mr. Wong Lai Shun, Benny

Independent non-executive Directors:

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