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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)**

**MAJOR TRANSACTION**

**IN RELATION TO THE DISPOSAL OF**

**50% EQUITY INTERESTS IN BAYSHORE VENTURES JV LTD.**

**THE DISPOSAL**

The Board wishes to announce that after trading hours of the Stock Exchange on 26 August 2024, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, an existing shareholder of the Target Company, entered into the Agreement, whereby the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 50% equity interests in the Target Company, Bayshore Ventures JV Ltd., for an aggregate consideration of CAD18.5 million (equivalent to approximately HK\$105 million). The principal asset of the Target Group is the Property, which is operated as “The Westin Bayshore”.

Upon Closing, the Group will cease to have any interests in the Target Group.

**LISTING RULES IMPLICATIONS**

The Company has applied to the Stock Exchange for the adoption of an alternative size test for the revenue ratio in relation to the Disposal pursuant to Rule 14.20 of the Listing Rules and the Stock Exchange agreed with the Company’s view that the revenue ratio for the Disposal produces an anomalous result and should be disregarded. As the revenue ratio calculated based on the alternative size test and one of the other applicable percentage ratios exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under the Listing Rules.

\* For identification purpose only

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or its/his/her associate(s) has a material interest in the Agreement and the transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting if the Company were to convene a Shareholders' meeting for approving the Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Dr. Chan directly owns 191,588,814 Shares and through Galaxyway Investments Limited, whose entire issued share capital is indirectly owned by Dr. Chan, owns 76,186,279 Shares. Ms. Ng, through Fortune Crystal Holdings Limited, whose entire issued share capital is indirectly owned by Ms. Ng, owns 251,172,919 Shares. Ms. Ng is the spouse of Dr. Chan. The Company intends to obtain written Shareholders' approval in respect of the Agreement and the transactions contemplated thereunder from Dr. Chan, Galaxyway Investments Limited and Fortune Crystal Holdings Limited, which in aggregate own 518,948,012 Shares, representing approximately 57.2% of the existing issued share capital of the Company, prior to the despatch of the circular by the Company. Pursuant to Rule 14.44(2) of the Listing Rules, the written Shareholders' approval from Dr. Chan, Galaxyway Investments Limited and Fortune Crystal Holdings Limited will be accepted in lieu of holding a general meeting of the Shareholders. Accordingly, no physical Shareholders' meeting will be held by the Company to approve the Agreement and the transactions contemplated thereunder if such written Shareholders' approval is obtained.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, information relating to the Disposal, the financial information and other information of the Group and other information as required under the Listing Rules shall be despatched to the Shareholders within fifteen (15) Business Days after the publication of this announcement. As additional time is required for the Company to prepare the relevant information including the financial information and other information of the Group for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and for an extension of the deadline for the despatch of the circular to 25 September 2024.

## **THE DISPOSAL**

The Board wishes to announce that the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, an existing shareholder of the Target Company, entered into the Agreement in relation to the Disposal after trading hours of the Stock Exchange on 26 August 2024.

The principal terms of the Agreement are as follows:

## **THE AGREEMENT**

**(1) Date:**

26 August 2024 (signed after trading hours of the Stock Exchange)

**(2) Parties:**

*Vendor:*

Rank Ace Investments Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company. Its sole business activity is holding of the Sale Shares; and

*Purchaser:*

Caufield Investments Limited, a company incorporated in BVI with limited liability, whose principal activity is investment holding.

**(3) Interests to be disposed of:**

The assets to be disposed of by the Vendor comprise the Sale Shares, representing 50% equity interests in the Target Company, free from all encumbrances together with all rights attached thereto.

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

The Consideration for the Sale Shares is CAD18.5 million (equivalent to approximately HK\$105 million), which shall be paid by the Purchaser to the Vendor in the following manner:

- (i) the first tranche in the sum of CAD6 million shall be paid on Closing;
- (ii) the second tranche in the sum of CAD6 million shall be paid on the date two (2) months after the Closing Date; and
- (iii) the third tranche, being the balance of the Consideration, in the sum of CAD6.5 million shall be paid on the date six (6) months after the Closing Date, provided that the Purchaser has received from the Vendor a copy of the Certificate of Compliance (Form T2068 – Certificate in respect of the Disposition of Property by A Non-Resident of Canada) with respect to the Disposal issued by the Canada Revenue Agency, and if such copy is not available by the aforesaid payment date then the date for payment of the third tranche of the Consideration shall be postponed to the date which is the tenth (10) Business Day after the copy certificate is provided to the Purchaser.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, the following:

- (i) the share of the adjusted net asset value of the Target Group as illustrated below:

	<i>CAD'million</i>
Unaudited consolidated net assets of the Target Group as at 30 June 2024	85
Adjustment to fair value of the Property ( <i>Note 1</i> )	<u>(1)</u>
	84
Adjustments to net asset value ( <i>Note 2</i> )	<u>(17)</u>
	67
Adjusted net asset value of the Target Group	<u><u>67</u></u>
50% thereon attributable to the Group (the “ <b>Adjusted Value</b> ”)	<u><u>33</u></u>
Adjusted Value ( <i>in HK\$'million</i> )	<u><u>190</u></u>

*Notes:*

- The adjustment to fair value was calculated based on the preliminary valuation of the Property of approximately CAD255 million (equivalent to approximately HK\$1,454 million) as at 30 June 2024 performed by an independent professional valuer (the “Valuer”), using the direct comparison method, which is less than the net book value of the Property of approximately CAD256 million (equivalent to approximately HK\$1,459 million).*
- The Valuer derived the market value of the Sale Shares using the asset approach, which is based on the net asset value of the Target Group adjusted by a revaluation of the Property and subsequent adjustments made to account for a discount for the lack of marketability of the Sale Shares and the percentage of equity interests in the Target Company held by the Group.*

- (ii) the difficulties encountered by the Group in its efforts to dispose of the Sale Shares, for reasons including but not limited to the following:
- the Target Group has a bank loan of approximately CAD175 million (equivalent to approximately HK\$998 million) as at 30 June 2024 which is due to mature in October 2024. The Company is of the view that there is a material uncertainty as to the portion of which would be refinanced by the bank. Should the Target Group fail to obtain refinancing for a significant portion of such bank loan, a significant capital injection will be required to be made to the Target Group before October 2024;
  - the previously planned redevelopment of the Property into residential properties has been significantly impacted by various external factors, including the changes of local policies in Canada which prohibit non-Canadian residents from purchasing local residential properties, which came into effect in January 2023 and is expected to remain in place until at least 2027. These factors, coupled with timing and compliance issues related to the redevelopment plan, have posed major obstacles to the Target Group’s redevelopment plan. Consequently, the Target Group has been relying solely upon its hotel operation as a revenue stream to service its substantial debt obligations;
  - the most recent renovation and upgrade for the Property were completed a considerable time ago. Consequently, it is conservatively estimated that a significant amount of capital investment will be required to meet future capital requirements for the Property. This may necessitate capital injection by shareholders. Considered in conjunction with the above-mentioned capital requirements to support the Target Group’s operations, the Company anticipates that a substantial amount of capital injection into the Target Group will be necessary and the Target Group will most unlikely be in a position to make any dividends distribution in the near term;
  - the lack of control on the Target Company associated with a 50%-interest ownership;
  - the non-competition clause in the joint venture agreement of the Target Group; and
  - the pre-emptive clause in the joint venture agreement of the Target Group which states that the other must first be approached if either of the shareholders of the Target Company intends to dispose of its stake.

To that end, the Group has spent over six months to identify other potential buyers, and reached out to, including but not limited to, property agents, asset management funds with exposure to the property market, and business partners of the Group and the Directors, but no other potential buyers have indicated their firm interests and/or entered into negotiations with the Company with definitive terms especially given the uncertainties in the current economic environment faced by the property developers and investors.

- (iii) the urgency of the Company to receive a sizable cash inflow to alleviate its going concern issues and pressure to meet its immediate cash obligations.

Having considered the above factors, the Directors consider that the Consideration, representing a discount of approximately 45% to the Adjusted Value of the Target Company attributable to the Sale Shares, as agreed and based on arm's length negotiations with the Purchaser, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(5) Closing:**

Closing shall take place on 28 August 2024, or such other date as the Vendor and the Purchaser may agree.

**(6) Others:**

If the Purchaser shall fail to make payment of any part of the Consideration in accordance with the provisions of the Agreement, the Purchaser shall, without prejudice to any other rights and remedies the Vendor may have, pay interest on the part in arrears to the Vendor at the rate equal to the prime rate quoted by Royal Bank of Canada from time to time plus two per cent (2%) per annum from the due date for payment thereof until the date of actual receipt by the Vendor.

**INFORMATION ON THE TARGET COMPANY**

The Target Company is a company incorporated in BVI with limited liability and its sole business is holding and operating of the beneficial interests in the Property through its wholly-owned subsidiaries.

The Property is situated at Vancouver, British Columbia, Canada and operates under the brand name of Westin and comprising a 9-storey main building completed in 1961 and a separate 18-storey tower with an aggregate of 499 guest rooms.

As at the date of this announcement, the Target Company is owned as to 50% by each of the Purchaser and the Vendor. Upon Closing, the entire equity interests in the Target Company will be held by the Purchaser.

Set out below is the audited financial information of the Target Group for the years ended 31 December 2022 and 2023 and the unaudited management accounts for the six months ended 30 June 2024 of the Target Group prepared in accordance with International Financial Reporting Standards:

	For the six months ended 30 June 2024 (unaudited)		For the year ended 31 December			
			2023 (audited)		2022 (audited)	
			<i>Equivalent to approximately HK\$'000 (based on exchange rate of CAD=HK\$5.801)</i>		<i>Equivalent to approximately HK\$'000 (based on exchange rate of CAD=HK\$5.915)</i>	
	<i>CAD'000</i>	<i>HK\$'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
Revenue	39,562	225,501	82,045	475,945	68,216	403,496
(Loss) profit before taxation	(1,691)	(9,637)	1,374	7,972	16,490	97,537
(Loss) profit after taxation	(1,692)	(9,647)	1,372	7,961	16,485	97,508

As at 30 June 2024, the unaudited consolidated net assets of the Target Group amounted to approximately CAD85 million (equivalent to approximately HK\$484 million).

## **INFORMATION ON THE COMPANY, THE VENDOR AND THE PURCHASER**

The Vendor is an indirect wholly-owned subsidiary of the Company and its sole business activity is holding of the Sale Shares. The Company is an investment holding company and the Group is principally engaged in development, selling of and investment in properties in Macau, Hong Kong, the PRC, Canada and the United Kingdom; investment in hotels and leisure business in the PRC and Canada; securities investments and provision of loan financing services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser is an investment holding company incorporated in BVI and holds 50% of the Target Company. Its ultimate controlling shareholder is Mr. Hui Kau Mo who is a merchant and an experienced real estate developer in Canada; and (ii) the Purchaser and its ultimate beneficial owners are Independent Third Parties.

## **THE REASONS FOR THE DISPOSAL**

As disclosed in the annual report for the year ended 31 March 2024 of the Company, the Group has been facing significant liquidity pressure and difficulty in accessing typical financing channels amid the downturn of the real estate market in Hong Kong and in the PRC. To improve its liquidity and to obtain funds to meet its financial needs and commitments, the Group has been proactively formulating various plans and measures, including seeking potential purchasers in respect of its assets on terms which are in the best interests of the Company and the Shareholders taken as a whole.

The Disposal will enable the Group to realise its investment in the Target Company and recoup cash resources for the repayment of priority indebtedness and necessary payment obligations. Furthermore, the Disposal will release the Group from the anticipated funding requirements to the Target Group as aforementioned, which the Group would have a difficulty to in view of its current financial and liquidity position.

Based on the above, the Board considers that the terms of the Agreement (including the Consideration) are fair and reasonable, and the entering into of the Agreement by the Vendor is in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

The Sale Shares were classified as interest in a joint venture of the Group as at 30 June 2024. Based on the Consideration of approximately HK\$105 million, less (i) the unaudited net asset value of the Target Group of approximately HK\$242 million as at 30 June 2024, (ii) an impairment of premium adjustment on acquisition of approximately HK\$50 million, (iii) the reclassification of translation reserve upon the Disposal of approximately HK\$33 million, and (iv) the related expenses for the Disposal of approximately HK\$4 million, the Group currently expects to record a loss on disposal of a joint venture of approximately HK\$224 million upon Closing. The actual loss of the Disposal for the Group as at the Closing Date is subject to audit and therefore may be different from the amount mentioned above.

The net proceeds, being the Consideration net of relevant expenses of approximately HK\$4 million, arising from the Disposal are estimated to be approximately CAD17.8 million (equivalent to approximately HK\$101 million) and are expected to be applied for repayment of bank and other borrowings and payment of operating expense.

Upon Closing, the Group will cease to have any interest in the Target Group.



## LISTING RULES IMPLICATIONS

The Company has applied to the Stock Exchange for the adoption of an alternative size test for the revenue ratio in relation to the Disposal pursuant to Rule 14.20 of the Listing Rules and the Stock Exchange agreed with the Company's view that the revenue ratio for the Disposal produces an anomalous result and should be disregarded. As the revenue ratio calculated based on the alternative size test and one of the other applicable percentage ratios exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or its/his/her associate(s) has a material interest in the Agreement and the transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting if the Company were to convene a Shareholders' meeting for approving the Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Dr. Chan directly owns 191,588,814 Shares and through Galaxyway Investments Limited, whose entire issued share capital is indirectly owned by Dr. Chan, owns 76,186,279 Shares. Ms. Ng, through Fortune Crystal Holdings Limited, whose entire issued share capital is indirectly owned by Ms. Ng, owns 251,172,919 Shares. Ms. Ng is the spouse of Dr. Chan. The Company intends to obtain written Shareholders' approval in respect of the Agreement and the transactions contemplated thereunder from Dr. Chan, Galaxyway Investments Limited and Fortune Crystal Holdings Limited, which in aggregate own 518,948,012 Shares, representing approximately 57.2% of the existing issued share capital of the Company, prior to the despatch of the circular by the Company. Pursuant to Rule 14.44(2) of the Listing Rules, the written Shareholders' approval from Dr. Chan, Galaxyway Investments Limited and Fortune Crystal Holdings Limited will be accepted in lieu of holding a general meeting of the Shareholders. Accordingly, no physical Shareholders' meeting will be held by the Company to approve the Agreement and the transactions contemplated thereunder if such written Shareholders' approval is obtained.

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## DEFINITIONS

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

“Agreement”	the agreement dated 26 August 2024 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares
“applicable percentage ratio(s)”	has the same meaning ascribed thereto under Rule 14.07 of the Listing Rules
“associate(s)”	has the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday, other general public holidays or any day on which a tropical cyclone warning no.8 or above or a black rainstorm signal is hoisted or remains hoisted or in effect between 9:00 a.m. and 5:00 p.m.) on which licensed commercial banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAD”	Canadian dollars, the lawful currency of Canada
“Closing”	closing of the Disposal in accordance with the terms and conditions of the Agreement
“Closing Date”	the date on which Closing takes place
“Company”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 199)
“connected person(s)”	has the same meaning ascribed thereto in the Listing Rules
“Consideration”	CAD18.5 million (equivalent to approximately HK\$105 million), being the aggregate consideration payable by the Purchaser to the Vendor for the Sale Shares pursuant to the terms and conditions of the Agreement
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Agreement
“Dr. Chan”	Dr. Chan Kwok Keung, Charles, a substantial shareholder (as defined in the Listing Rules) of the Company
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected person(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Ms. Ng”	Ms. Ng Yuen Lan, Macy, a substantial shareholder (as defined in the Listing Rules) of the Company and the spouse of Dr. Chan
“PRC”	The People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Property”	the property located at 1601 Bayshore Drive, Vancouver, British Columbia, Canada and operating under the name “The Westin Bayshore”
“Purchaser”	Caufield Investments Limited, a company incorporated in BVI with limited liability and an Independent Third Party
“Sale Shares”	eighty-six million one hundred thousand (86,100,000) ordinary shares in the share capital of the Target Company, representing 50% of the entire issued share capital of the Target Company, as at the date of the Agreement and on Closing
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Bayshore Ventures JV Ltd., a company incorporated in BVI with limited liability owned as to 50% by each of the Vendor and the Purchaser as at the date of this announcement
“Target Group”	collectively, the Target Company and its subsidiaries
“Vendor”	Rank Ace Investments Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

*In this announcement, unless the context requires otherwise, amounts denominated in CAD are converted into HK\$ at the rate of CAD1 = HK\$5.7. Such conversion rate is for illustration purpose only and should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.*

By order of the Board  
**ITC Properties Group Limited**  
**Cheung Hon Kit**  
*Chairman*

Hong Kong, 26 August 2024

As at the date of this announcement, the Directors are as follows:

*Executive Directors:*

Mr. Cheung Hon Kit (*Chairman*), Dr. Chan Kwok Keung, Charles (*Joint Vice Chairman*), Mr. Chan Yiu Lun, Alan, Mr. Law Hon Wa, William (*Chief Financial Officer*)

*Non-executive Director:*

Ms. Chau Mei Wah

*Independent Non-executive Directors:*

Hon. Shek Lai Him, Abraham, *GBS, JP* (*Joint Vice Chairman*), Mr. Ip Hon Wah, Mr. Pang, Anthony Ming-tung

*In case of any inconsistency, the English version of this announcement shall prevail over the Chinese version.*