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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 DISPOSAL OF 49% INTERESTS IN
PREMIER MAKER LIMITED**

THE DISPOSAL

The Board announces that after trading hours of the Stock Exchange on 10 January 2024, Beam Castle, an indirect wholly-owned subsidiary of the Company, as vendor and Ms. Yang, an existing shareholder of Premier Maker, as purchaser entered into the Agreement pursuant to which Beam Castle has agreed to sell and Ms. Yang has agreed to purchase the Sale Shares, representing 49% of the entire issued share capital of Premier Maker, and the Sale Loan at the Consideration of HK\$50.0 million.

As at the date of this announcement, Premier Maker indirectly owns 50% interests in the PRC Company which is the owner of the Property. Upon Completion, the Group would no longer have any interests in the Premier Maker Group.

LISTING RULES IMPLICATIONS

Since the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% and all applicable percentage ratios are less than 25%, the Disposal constitutes 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.

* For identification purpose only

INTRODUCTION

The Board announces that after trading hours of the Stock Exchange on 10 January 2024, Beam Castle (an indirect wholly-owned subsidiary of the Company) as vendor and Ms. Yang Yan (“**Ms. Yang**”, an existing shareholder of Premier Maker) as purchaser entered into the Agreement pursuant to which Beam Castle has agreed to sell and Ms. Yang has agreed to purchase the Sale Shares and the Sale Loan at the Consideration of HK\$50.0 million.

The principal terms of the Agreement are set out below:

THE AGREEMENT

(1) Date:

10 January 2024

(2) Parties:

Vendor: Beam Castle, an indirect wholly-owned subsidiary of the Company whose sole activity is holding of interests in Premier Maker; and

Purchaser: Ms. Yang, a shareholder holding 50% of the issued share capital of Premier Maker as at the date hereof.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Ms. Yang is a merchant and a third party independent of the Company and its connected persons. She is a director of the companies comprising the Premier Maker Group and a member of the key management in the operation of the Property.

(3) Assets to be disposed of:

Beam Castle has agreed to sell, and Ms. Yang has agreed to purchase:

- (i) the Sale Shares, being 49 issued shares in Premier Maker, representing 49% of the entire issued share capital of Premier Maker as at the date of the Agreement and on Completion; and
- (ii) the Sale Loan, which amounted to approximately HK\$57,000.0 as at the date of the Agreement,

together with all rights attached thereto and both free from encumbrances.

(4) Consideration and payment terms:

The Consideration is HK\$50.0 million and shall be paid by Ms. Yang in the following manner:

- (i) a deposit of HK\$30.0 million (the “**Deposit**”) has been paid upon the signing of the Agreement; and
- (ii) the balance in the sum of HK\$20.0 million shall be paid upon Completion.

The Consideration was determined after arm’s length negotiations between Beam Castle and Ms. Yang taking into account the following:

- (i) the share of the adjusted value of the Premier Maker Group as illustrated below:

	<i>HK\$’million</i>
Unaudited consolidated net liabilities of the Premier Maker Group (after equity accounting for the results, assets and liabilities of the PRC Company) as at 31 October 2023 (the “ Premier Maker Net Liabilities ”)	(69.4)
Adjustment to fair value of the Property (<i>Note</i>)	188.5
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Adjusted value of the Premier Maker Group	119.1
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49% thereon attributable to the Group (the “ Group’s Carrying Value ”)	58.3
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Note: The adjustment to fair value was calculated based on the amount of the valuation of the Property of RMB638.0 million (equivalent to approximately HK\$684.5 million) as at 31 October 2023 performed by Greater China Appraisal Limited, an independent valuer, using the direct comparison approach, in excess of net book value of the Property of approximately RMB286.6 million (equivalent to approximately HK\$307.5 million) attributable to the 50% indirect interests of Premier Maker in the PRC Company; and

- (ii) the Disposal to Ms. Yang, being the existing shareholder holding 50% of Premier Maker, is considered to be the most cost-effective way for the Group to divest its investment in Premier Maker. It reduces the complexities and expenses associated with finding interested third parties in the market, including the saving of agents commission, and significantly reduces transaction costs which would have to be incurred by the Group had the Disposal been made to a party who does not already have an equity interest in the Premier Maker Group such as legal and other professional fees in handling due diligence enquiries.

Taking into account the above and the factors mentioned in the section headed “REASONS FOR AND BENEFITS OF THE DISPOSAL” below, the Directors consider that the Consideration, despite the same being below the Group’s Carrying Value of approximately HK\$8.3 million, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(5) Completion:

Completion shall take place on the Completion Date.

If Completion does not take place due to the default of Ms. Yang, Beam Castle shall be entitled to forfeit HK\$5.0 million of the Deposit without prejudice to its right to claim against Ms. Yang for any further loss and damages. If the defaulting party is Beam Castle, Beam Castle shall refund to Ms. Yang the Deposit, but without prejudice to any claim Ms. Yang may have arising from Beam Castle's default.

Upon Completion, the Group will cease to have any interests in the Premier Maker Group.

INFORMATION ON THE PREMIER MAKER GROUP

(1) Shareholding and business:

Premier Maker is a company incorporated in BVI with limited liability and is, as at the date of the Agreement, held as to 50% by Ms. Yang, 49% by Beam Castle and 1% by an entity which is owned by a third party independent of the Company and its connected persons. The sole asset of Premier Maker is the entire equity interests in Eternal Investment, which is a company incorporated in Hong Kong with limited liability and which in turn holds equity interests in the PRC Company.

The PRC Company is owned as to 50% by each of Eternal Investment and 上海市漕河涇新興技術開發區發展總公司(Shanghai Caohejing New Technology Development Zone Development Corporation) (“**Shanghai Development**”). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Shanghai Development is indirectly owned as to approximately 73% by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國有資產監督管理委員會) and as to approximately 27% by five other entities, with none of such five entities owning more than 15% of Shanghai Development; and (ii) Shanghai Development is a third party independent of the Company and its connected persons.

The principal asset and business of the PRC Company is the ownership and operation of the Property. The Property is a 22-storey 5-star hotel and is currently operated under the name of Renaissance Shanghai Caohejing Hotel (上海漕河涇萬麗酒店). The Property is located in Xuhui District, Shanghai, the PRC, within the Caohejing New Technology Development Zone and about 10 kilometres from the Hongqiao International Airport, with a total gross floor area of approximately 64,500 sq. m. comprising above ground level area of approximately 39,200 sq. m. and two basement floors with area of approximately 25,300 sq. m.. The Property consists of about 380 rooms and other facilities, such as restaurants, ballroom, retail shops and car parking spaces.

(2) Financial information:

The unaudited consolidated financial information of the Premier Maker Group for the years ended 31 March 2022 and 2023 and the seven months ended 31 October 2023 prepared in accordance with the Hong Kong Financial Reporting Standards is set out below:

	For the seven months ended 31 October 2023	For the year ended 31 March	
	<i>HK\$'000</i>	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	–	–
Loss before taxation	43,599	53,556	86,081
Loss after taxation	43,599	53,556	86,081

Based on the consolidated management accounts of the Premier Maker Group as at 31 October 2023, the unaudited consolidated net liabilities (after equity accounting for the results, assets and liabilities of the PRC Company) of Premier Maker was approximately HK\$69.4 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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.

The net proceeds from the Disposal, being the Consideration net of relevant expenses, are estimated to be approximately HK\$49.8 million. The Company intends to apply such net proceeds for the Group's general working capital.

Based on the unaudited consolidated management accounts of the Premier Maker Group as at 31 October 2023, a loss on disposal of an associate of approximately HK\$8.5 million is expected to arise from the Disposal, which is calculated with reference to the net proceeds from the Consideration of approximately HK\$49.8 million less the Group's Carrying Value as at 31 October 2023 of approximately HK\$58.3 million. The exact amount of the loss on the Disposal would be calculated based on adjusted value of the Premier Maker Group as at the Completion Date and is subject to audit and therefore may be different from the amount mentioned above.

The Group acquired a 19% interests in Premier Maker at HK\$146.4 million in November 2019 before the unanticipated outbreak of COVID-19 which greatly affected the operating performance of the Property from early 2020. In June 2021, the Group acquired an additional 30% interests in Premier Maker at a substantially lower price of HK\$95.0 million, anticipating that there would be rebound in the hotel business in Shanghai after the subsiding of the COVID-19 pandemic.

However, an unexpected resurgence of COVID-19 in Shanghai in 2022 led to a city-wide lockdown, which drastically impacted the operation of the Property. As a result, there was an impairment loss on the Property, and the Group recorded approximately HK\$38.3 million in its share of loss of an associate for the year ended 31 March 2022 arising from such impairment.

The Directors are of the view that despite the curbing of the COVID-19 pandemic in 2023, as high interest rates and the global economic slowdown persist, the path to recovery in the hotel property market in the PRC is expected to remain challenging, and the need for injections of capital in the Premier Maker Group to support its operating funds and finance costs, which will negatively affect the Group's cashflow, cannot be ruled out. Therefore, the Directors consider that the Disposal would enable the Group to realise the tied-up capital and the cash proceeds from the Disposal would enhance the Group's liquidity and financial flexibility.

In view of the above, the Directors consider that the terms of the Agreement are on normal commercial terms and fair and reasonable, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% and all applicable percentage ratios are less than 25%, the Disposal constitutes 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.

DEFINITIONS

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

“Agreement”	the agreement for sale and purchase dated 10 January 2024 entered into between Beam Castle and Ms. Yang in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Beam Castle”	Beam Castle Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands

“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
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loan under the Agreement
“Completion Date”	the date for Completion, being 31 March 2024 or such other date as Beam Castle and Ms. Yang may agree in writing
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$50.0 million, being the aggregate consideration payable by Ms. Yang for the Sale Shares and the Sale Loan pursuant to the terms of the Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of Sale Shares and Sale Loan pursuant to the terms of the Agreement
“Eternal Investment”	Eternal Investment Development Limited (恒邦投資發展有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Premier Maker
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	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
“PRC Company”	上海漕河涇開發區華港實業有限公司(Shanghai Caohejing Hi-Tech Park Huagang Real Estate Co., Ltd), a sino-foreign joint-venture enterprise established in the PRC

“Premier Maker”	Premier Maker Limited, a company incorporated in BVI with limited liability and owned as to 50% by Ms. Yang and as to 49% by Beam Castle as at the date of this announcement
“Premier Maker Group”	collectively, Premier Maker, Eternal Investment and (for the purpose of this announcement) the PRC Company
“Property”	the building erected on No. 397 Tianlin Road, Caohejing Hi-Tech Park, Xuhui District, Shanghai, the PRC, including the hotel known as Renaissance Shanghai Caohejing Hotel (上海漕河涇萬麗酒店) and car parking spaces
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the amount owing by Premier Maker to Beam Castle as at Completion
“Sale Shares”	49 shares in, representing 49% of the entire issued share capital of, Premier Maker as at the date of this announcement and on Completion
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. m.”	square metres
“%”	per cent.

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

Hong Kong, 10 January 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

For ease of reference, the names of the PRC Company and the Property have been included in this announcement in both Chinese and English languages and their English names are either English translation of their respective official Chinese names or English tradenames used by them. In case of any inconsistency, the English version of this announcement shall prevail over the Chinese version except any inconsistency between the English names and their respective official Chinese names, the official Chinese names shall prevail.

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.932 = HK\$1.0 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.