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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 ACQUISITION OF 30% INTERESTS IN
PREMIER MAKER LIMITED**

THE ACQUISITION

The Board announces that after the Stock Exchange trading hours on 9 June 2021, Beam Castle (an indirect wholly-owned subsidiary of the Company) as purchaser, the Company as purchaser's guarantor, Fortune Generation as vendor and Mr. Lau as vendor's guarantor entered into the Second Agreement pursuant to which Beam Castle acquired from Fortune Generation the Sale Shares, representing 30% of the entire issued share capital of Premier Maker, and the Sale Loan at the Consideration of HK\$95.0 million. Upon Completion, together with the Initial Shareholding, Beam Castle in aggregate owns 49% of the entire issued share capital of Premier Maker, which in turn indirectly owns 50% interests in the PRC Company which is the sole beneficial owner of the Property.

LISTING RULES IMPLICATIONS

Since the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% and all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that after the Stock Exchange trading hours on 9 June 2021, Beam Castle (an indirect wholly-owned subsidiary of the Company) as purchaser, the Company as purchaser's guarantor, Fortune Generation as vendor and Mr. Lau Tom Ko Yuen ("Mr. Lau") as vendor's guarantor entered into the Second Agreement pursuant to which Beam Castle acquired from Fortune Generation the Sale Shares and the Sale Loan at the Consideration of HK\$95.0 million.

* For identification purpose only

The principal terms of the Second Agreement are set out below:

THE SECOND AGREEMENT

(1) Date:

9 June 2021

(2) Parties:

Purchaser: Beam Castle, an indirect wholly-owned subsidiary of the Company whose principal activity is investment holding;

Purchaser's guarantor: the Company;

Vendor: Fortune Generation; and

Vendor's guarantor: Mr. Lau.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Fortune Generation is an investment holding company and is beneficially owned by Mr. Lau and his spouse, who are third parties independent of the Company and its connected persons. Mr. Lau is a businessman, the chief executive officer, China of Blue River Holdings Limited and a director of Prosperity Investment Holdings Limited (both companies being companies listed on the Main Board of the Stock Exchange), and his spouse is a housewife.

(3) Assets to be acquired:

Beam Castle has agreed to purchase, and Fortune Generation has agreed to sell:

- (i) the Sale Shares, being 30 issued shares of Premier Maker, representing 30% of the entire issued share capital of Premier Maker as at the date of the Second Agreement and on Completion; and
- (ii) the Sale Loan, which amounted to approximately HK\$64.4 million, together with all rights attached thereto,

both free from encumbrances.

(4) Consideration and payment terms:

The Consideration is HK\$95.0 million and shall be settled in the following manner:

- (i) HK\$80.0 million payable within 5 Business Days after Completion; and
- (ii) the balance in the sum of HK\$15.0 million payable within 3 months after Completion.

The Consideration was determined after arm's length negotiations between Beam Castle and Fortune Generation and represents a discount of approximately 1.9% as compared with the aggregate appraised value of the Sale Shares and the Sale Loan of HK\$96.8 million as calculated below:

| | HK\$'million |
|---|---------------------|
| 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 December 2020 | (214.1) |
| Loan due to its shareholders as at 31 December 2020 | 214.3 |
| Share of revaluation surplus (<i>Note</i>) | <u>322.5</u> |
| Appraised value of the Premier Maker Group | <u><u>322.7</u></u> |
| 30% thereon attributable to the Sale Shares and the Sale Loan | <u><u>96.8</u></u> |

Note: Share of revaluation surplus was calculated based on the amount of the valuation of the Property of RMB860.0 million (equivalent to approximately HK\$1,029.9 million) as at 19 March 2021 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 RMB321.4 million (equivalent to approximately HK\$384.9 million) attributable to 50% indirect interest of Premier Maker in the PRC Company.

(5) Completion:

Completion took place immediately after the signing of the Second Agreement, and the Consideration is intended to be financed by internal resources of the Group.

Together with the Initial Shareholding, Beam Castle owns a total of 49% of the entire issued share capital of Premier Maker immediately after Completion. In this respect, Premier Maker is accounted for as an associated company whose results, assets and liabilities are to be incorporated in the consolidated financial statements of the Company using the equity method of accounting.

INFORMATION ON THE PREMIER MAKER GROUP

(1) Shareholding and business:

Premier Maker is a company incorporated in BVI with limited liability and was, prior to Completion, held (i) as to 50% by an individual who is a third party independent of the Company and its connected persons, (ii) as to 30% by Fortune Generation, (iii) as to 19% by Beam Castle and (iv) as to 1% by the sole shareholder of Fortune Generation. The sole asset of Premier Maker is the entire equity interest in Eternal Investment, which is a company incorporated in Hong Kong with limited liability. Each of Eternal Investment and an entity, which is a third party independent of the Company and its connected persons, owns 50% equity interests in the PRC Company which is a sino-foreign joint-venture enterprise established in the PRC with registered and paid up capital of RMB210 million. 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 which commenced operation in 2012 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 Province, 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 each of the two years ended 31 December 2019 and 2020 is set out below:

| | For the year ended 31 December | |
|----------------------|-----------------------------------|----------|
| | 2019 | 2020 |
| | HK\$'000 | HK\$'000 |
| Revenue | – | – |
| Loss before taxation | 180 | 37,975 |
| Loss after taxation | 180 | 37,975 |

Based on the consolidated management accounts of the Premier Maker Group after equity accounting for the results, assets and liabilities of the PRC Company for the year ended 31 December 2020, the unaudited consolidated deficit attributable to owners of Premier Maker amounted to approximately HK\$214.1 million as at 31 December 2020.

REASONS FOR THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in property development and investment in Macau, Hong Kong, the PRC, Canada and the United Kingdom; development of, investment in and operation and management of hotels and leisure business in the PRC, Hong Kong and Canada; securities investment and provision of loan financing services.

Pursuant to the First Agreement, Beam Castle acquired 19% interests in Premier Maker from Fortune Generation and was granted the Option to acquire the Option Shares and the Option Loan (i.e. further 13% interests in Premier Maker) at a total consideration of HK\$100.0 million. The Option expired on 29 May 2021.

Since Shanghai is a vibrant city with a combination of historical attractions, modern infrastructure, growing businesses and convenient transportation, the Board believes that there shall be rebound in hotel business in Shanghai after the pandemic is gradually curbed with vaccination. With the unanticipated outbreak of the COVID-19, the operating performance of the Property has been adversely affected since early 2020. However, the Directors believe that the Acquisition represents a good investment opportunity for the Group to increase its indirect stake in the Property at the current market price where the market condition is relatively sluggish with potential appreciation in capital value.

In view of the above, the Directors consider that the terms of the Second 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 Acquisition exceeds 5% and all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 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 and the Sale Loan by Beam Castle pursuant to the terms of the Second Agreement |
| “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 |

| | |
|------------------------|---|
| “Business Day(s)” | a day(s) (excluding Saturday, Sunday or public holiday or any day on which a typhoon signal no. 8 or above or a black rainstorm warning signal is hoisted or remains hoisted or “extreme conditions” caused by super typhoon and announced by the Government of Hong Kong is in force between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m.) on which licensed banks in Hong Kong are open for general business |
| “BVI” | the British Virgin Islands |
| “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 sale and purchase of the Sale Shares and the Sale Loan under the Second Agreement which took place immediately after the signing of the Second Agreement |
| “connected person(s)” | has the same meaning ascribed to it under the Listing Rules |
| “Consideration” | HK\$95.0 million, being the aggregate consideration payable by Beam Castle for the Sale Shares and the Sale Loan pursuant to the terms of the Second Agreement |
| “Director(s)” | director(s) of the Company |
| “Eternal Investment” | Eternal Investment Development Limited, a company incorporated in Hong Kong with limited liability |
| “First Agreement” | the sale and purchase agreement dated 29 November 2019 entered into between Beam Castle and Fortune Generation in relation to the sale and purchase of 19 shares in and shareholder loan of approximately HK\$40.8 million owed by Premier Maker and the grant of the Option |
| “Fortune Generation” | Fortune Generation Limited, a company incorporated in BVI with limited liability |
| “Group” | collectively, the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Initial Shareholding” | 19 shares, representing 19% of the total issued shares, in Premier Maker owned by Beam Castle immediately prior to Completion |

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|-----------------------|--|
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Macau” | Macau Special Administrative Region of the PRC |
| “Option” | the option granted by Fortune Generation to Beam Castle under the First Agreement pursuant to which Beam Castle has the right to purchase the Option Shares and the Option Loan from Fortune Generation at a total consideration of HK\$100.0 million on or before 29 May 2021 |
| “Option Loan” | portion of the amount owing by Premier Maker to Fortune Generation, being the higher of (i) 13% of the amount owing by Premier Maker to its shareholders upon completion under the Option or (ii) HK\$27,900,204.32 |
| “Option Shares” | a total of 13 shares in Premier Maker, representing 13% of the total issued shares in Premier Maker as at the date of completion under the Option |
| “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 |
| “Premier Maker Group” | collectively, Premier Maker, Eternal Investment and the PRC Company |
| “Property” | the building erected on No. 397 Tianlin Road, Caohejing Hi-Tech Park, Xuhui District, Shanghai Province, the PRC, including the hotel known as Renaissance Shanghai Caohejing Hotel (上海漕河涇萬麗酒店) and not less than 214 car parking spaces |
| “Sale Loan” | approximately 30% of the amounts owing by Premier Maker to its shareholders as at Completion |
| “Sale Shares” | 30 shares, representing 30% of the entire issued share capital, of Premier Maker as at Completion |
| “Second Agreement” | the sale and purchase agreement dated 9 June 2021 entered into between Beam Castle, the Company, Fortune Generation and Mr. Lau in relation to the sale and purchase of the Sale Shares and the Sale Loan |

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|------------------|---|
| “Shareholder(s)” | holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “sq. m.” | square metres |
| “%” | per cent. |

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

Hong Kong, 9 June 2021

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

Executive Directors:

Mr. Cheung Hon Kit (*Chairman*), Mr. Cheung Chi Kit (*Managing Director*), Mr. Chan Yiu Lun, Alan, Mr. Wong Lai Shun, Benny, Ms. Lam Sau Fung (*Chief Financial Officer*)

Non-executive Director:

Mr. Chan Fut Yan

Independent Non-executive Directors:

Hon. Shek Lai Him, Abraham, *GBS, JP (Vice Chairman)*, Mr. Chan Pak Cheong Afonso, Mr. Ip Hon Wah

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.