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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 TRANSACTIONS IN RELATION TO  
THE ACQUISITION OF 19% INTERESTS IN  
PREMIER MAKER LIMITED AND  
TRANSFER OF TARGET LOAN NOTES**

**ACQUISITION OF PREMIER MAKER**

The Board announces that after the Stock Exchange trading hours on 29 November 2019, Beam Castle (an indirect wholly-owned subsidiary of the Company) as purchaser entered into the Acquisition Agreement with Fortune Generation as vendor and acquired from Fortune Generation the Sale Shares, representing 19% of the entire issued share capital of Premier Maker, and the Sale Loan at the Consideration of HK\$146.4 million. As at the date of this announcement, Premier Maker indirectly owns 50% interests in the PRC Company which is the sole beneficial owner of the Property.

**TARGET LOAN NOTES TRANSFER**

As partial settlement of the Consideration in the amount of HK\$96.4 million, Advance Tech, another indirect wholly-owned subsidiary of the Company, is to transfer to Fortune Generation the Target Loan Notes in the principal amount of HK\$180.0 million, which would include the interest accrued thereon in the sum of approximately HK\$12.8 million up to the Maturity Date.

**ACCEPTANCE OF THE OPTION**

Pursuant to the Acquisition Agreement, Fortune Generation has granted to Beam Castle the Option, pursuant to which Beam Castle has the right to require Fortune Generation to sell the Option Interest to Beam Castle at the Option Consideration during the Option Period.

\* For identification purpose only

## **LISTING RULES IMPLICATIONS**

Since the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of each of the Acquisition and the Target Loan Notes Transfer exceeds 5% and all applicable percentage ratios are less than 25%, each of the Acquisition and the Target Loan Notes Transfer 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. The Company will comply with the relevant rules in Chapter 14 of the Listing Rules if Beam Castle decides to exercise the Option.

## **INTRODUCTION**

The Board announces that after the Stock Exchange trading hours on 29 November 2019, Beam Castle (an indirect wholly-owned subsidiary of the Company) as purchaser entered into the Acquisition Agreement with Fortune Generation as vendor and acquired from Fortune Generation the Sale Shares and the Sale Loan at the Consideration of HK\$146.4 million.

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

## **THE ACQUISITION AGREEMENT**

**(1) Date:**

29 November 2019

**(2) Parties:**

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

Vendor: Fortune Generation.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Fortune Generation is an investment holding company and its ultimate beneficial owners are third parties independent of the Company and its connected persons. Fortune Generation is beneficially owned by Mr. Lau Tom Ko Yuen ("**Mr. Lau**") and his spouse. Mr. Lau is a businessman, an executive director of South Shore Holdings Limited and PYI Corporation Limited and a non-executive director of Prosperity Investment Holdings Limited (all 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 19 issued shares of Premier Maker, representing 19% of the entire issued share capital of Premier Maker as at the date of the Acquisition Agreement and on Completion; and
- (ii) the Sale Loan, which amounted to approximately HK\$40.8 million, together with all rights attached thereto,

both free from encumbrances.

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

The Consideration is HK\$146.4 million and shall be settled in the following manner on Completion:

- (i) as to HK\$96.4 million, by the transfer of the Target Loan Notes in the principal amount of HK\$180.0 million to Fortune Generation as described in the section headed “The Target Loan Notes Transfer” below; and
- (ii) the balance in the sum of HK\$50.0 million in cash.

The Consideration was determined after arm’s length negotiations between Beam Castle and Fortune Generation with reference to (i) the unaudited consolidated net liabilities of the Premier Maker Group (after equity accounting for the results, assets and liabilities of the PRC Company) of approximately HK\$126.9 million as at 12 November 2019, (ii) the loan of approximately HK\$214.2 million due to its shareholders, and (iii) its share of revaluation surplus of approximately HK\$697.0 million, which was based on the valuation of the Property of RMB1,600.0 million (equivalent to approximately HK\$1,776.0 million) as at 31 October 2019 performed by an independent property valuer in the PRC.

**(5) Completion:**

Completion took place immediately after the signing of the Acquisition Agreement. Advance Tech has executed the requisite transfer form for the Target Loan Notes and the cash portion of the Consideration, which was financed by the internal resources of the Group, has been paid.

The Group intends to account for the Premier Maker Group as a long term investment of the Group.

**(6) Other Terms:**

If Fortune Generation recovers any amounts, whether by way of payment of principal and/or interest under the Target Loan Notes and/or disposal of the Target Loan Notes or any part thereof or otherwise, under or from the Target Loan Notes of more than HK\$96.4 million (being 50% of the principal amount of the Target Loan Notes together with the accrued and unpaid interest thereon) within 12 months after Completion (the

“**Recovery Period**”), 20% of the aggregate amounts so recovered in excess of HK\$96.4 million (the “**Contingent Amount**”) shall be paid to Beam Castle within five Business Days after the expiry of the Recovery Period.

## THE TARGET LOAN NOTES TRANSFER

Pursuant to the Acquisition Agreement, part of the Consideration in the sum of HK\$96.4 million has been settled by way of transferring to Fortune Generation by Advance Tech, another indirect wholly-owned subsidiary of the Company, of the Target Loan Notes in the principal amount of HK\$180.0 million, which would include the interest accrued and unpaid thereon amounting to approximately HK\$12.8 million up to the Maturity Date (as defined below).

The Loan Notes were subscribed by Advance Tech in November 2016 for an aggregate principal amount of HK\$500.0 million. The Loan Notes bear interest at 9.5% per annum, payable in arrears every three months from 28 November 2016 and, matured on 27 November 2019 (the “**Maturity Date**”). As at the date of the Acquisition Agreement, the outstanding principal amount of the Loan Notes of HK\$500.0 million and the interest accrued and due on 27 May 2019, 27 August 2019 and the Maturity Date in aggregate of approximately HK\$35.5 million have not yet been paid by Master Glory. The Group has been in discussion with Master Glory to collect the overdue amounts and has requested for information to evaluate the financial capability of Master Glory for payment of the same but no reply has yet been received. Loss allowance for expected credit loss (“**ECL**”) of approximately HK\$316.8 million has already been provided for the Loan Notes and the interest accrued thereon in the unaudited consolidated financial statements of the Group for the six months ended 30 September 2019. Taking into account the imputed value of the Target Loan Notes together with the interest accrued in aggregate amounting to approximately HK\$96.4 million (the “**Imputed Value**”) and its corresponding carrying value as at the date of this announcement of approximately HK\$77.1 million, it is estimated that a gain of approximately HK\$19.3 million would be recorded by the Group upon Completion.

The Imputed Value represents an approximately 50% discount to the corresponding face value of the Target Loan Notes and the outstanding interest accrued thereon and was determined after arm’s length negotiations between the Group and Fortune Generation with reference to (i) the liquidity position of Master Glory as disclosed in its circular dated 27 March 2019, which indicated that Master Glory might not have sufficient working capital for the next 12 months from the date of such circular in the absence of extension of borrowings and/or re-financing; (ii) lack of response from Master Glory in relation to the collection reminders of overdue interest and information requested by the Group; (iii) receipt of three winding up petitions by Master Glory from its three corporate noteholders in relation to the outstanding overdue indebtedness arising from the notes issued by Master Glory in 2016 and 2017 as disclosed in its announcement dated 27 November 2019; (iv) absence of updated financial information of Master Glory after 30 September 2018 and the suspension of trading of its shares since 2 July 2019 due to its non-compliance with the Listing Rules to publish its annual results for the year ended 31 March 2019 within the period of time required under the Listing Rules; and (v) the preliminary assessment by an independent professional valuer that an expected credit loss of about 50% to the face value of the Loan Notes is appropriate.

In addition, in the event that the Target Loan Notes are fully recovered within the Recovery Period, the Group is entitled to receive the Contingent Amount of approximately HK\$19.3 million.

After the Target Loan Notes Transfer, the principal of the remaining Loan Notes held by Advance Tech amounts to HK\$320.0 million and the outstanding interest accrued amounts to approximately HK\$22.7 million with an aggregate corresponding carrying value of approximately HK\$137.1 million. The Group will keep following up with Master Glory to collect the outstanding principal amount and interest on the remaining Loan Notes and requesting for information to evaluate the financial capability of Master Glory for payment of the same.

## **THE OPTION**

Pursuant to the Acquisition Agreement, Fortune Generation has granted to Beam Castle the Option, pursuant to which Beam Castle has the right during the Option Period to require Fortune Generation to sell the Option Interest, in whole or in part, to Beam Castle at the Option Consideration, which right may be exercised more than once but not exceeding three times. No consideration is payable by Beam Castle to Fortune Generation in respect of the grant of the Option.

The Option Consideration was determined after arm's length negotiations between Fortune Generation and Beam Castle and is in proportion to the Consideration.

In the event that Beam Castle exercises the Option in full, Beam Castle will become interested in 32% of the total issued share capital of Premier Maker immediately upon completion of the transfer of the Option Shares.

## **INFORMATION ON THE PREMIER MAKER GROUP**

### **(1) Shareholding and business:**

Premier Maker is a company incorporated in BVI with limited liability and is held as to 50% by each of Fortune Generation and an individual who is a third party independent of the Company and its connected persons. 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, who 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, 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 2017 and 2018 is set out below:

|                               | <b>For the year ended</b> |                 |
|-------------------------------|---------------------------|-----------------|
|                               | <b>31 December</b>        |                 |
|                               | <b>2017</b>               | <b>2018</b>     |
|                               | <i>HK\$'000</i>           | <i>HK\$'000</i> |
| Revenue                       | –                         | –               |
| (Loss) profit before taxation | (9,965)                   | 63,668          |
| (Loss) profit after taxation  | (9,965)                   | 63,668          |

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 period from 1 January 2019 to 12 November 2019, the unaudited consolidated deficit attributable to owners of Premier Maker amounted to approximately HK\$126.9 million as at 12 November 2019.

**REASONS FOR THE ACQUISITION, THE TARGET LOAN NOTES TRANSFER AND THE ACCEPTANCE OF THE OPTION**

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

Shanghai is a vibrant city with a combination of historical attractions, modern infrastructure, growing businesses and convenient transportation. After the opening of various new attractions to tourists including Shanghai Disney Resort and the National Exhibition and Convention Center, Shanghai has become a hot spot for both inbound and outbound travelers for leisure and businesses. The Directors believe that the Acquisition represents a good investment for the Group to acquire a stake in a property in Shanghai and such investment will provide stable income stream to the Group. Also, the Option provides the Group with an opportunity to increase its stake in the Property up to 16% in the future at a pre-agreed price such that the Group could maximise the share of benefit derived from the growth of the hotel business of the Property.

Based on the latest available information on Master Glory, the Directors opine that there are significant uncertainties over the recoverability of the Loan Notes and believe that the Target Loan Notes Transfer can, on one hand, enable the Group to recover at least 50% of the face value of the Target Loan Notes and the outstanding interest accrued thereon and, on the other hand, provide the Group with an upside potential to receive of a further 10% of the

face value of the Target Loan Notes and outstanding interest accrued thereon as at the Maturity Date in the event that Fortune Generation recovers the full amount thereof within the Recovery Period.

In view of the above, the Directors consider that the terms of the Acquisition Agreement, including the Target Loan Notes Transfer, are 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 each of the Acquisition and the Target Loan Notes Transfer exceeds 5% and all applicable percentage ratios are less than 25%, each of the Acquisition and the Target Note Loan Transfer 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.

The Company will comply with the relevant rules in Chapter 14 of the Listing Rules if Beam Castle decides to exercise the Option.

## **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 Acquisition Agreement   |
| “Acquisition 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 the Sale Shares and the Sale Loan and the grant of the Option   |
| “Advance Tech”          | Advance Tech Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company  |
| “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)”       | 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 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 Acquisition Agreement which took place immediately after the signing of the Acquisition Agreement  |
| “connected person(s)” | has the same meaning ascribed to it under the Listing Rules   |
| “Consideration”       | HK\$146.4 million, being the aggregate consideration payable by Beam Castle for the Sale Shares and the Sale Loan pursuant to the terms of the Acquisition Agreement  |
| “Director(s)”         | director(s) of the Company  |
| “Eternal Investment”  | Eternal Investment Development Limited, a company incorporated in Hong Kong with limited liability  |
| “Fortune Generation”  | Fortune Generation Limited, a company incorporated in BVI with limited liability  |
| “Group”               | the Company and its subsidiaries  |
| “Hong Kong”           | Hong Kong Special Administrative Region of the PRC  |
| “Listing Rules”       | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Loan Notes”          | the 3-year 9.5% loan notes issued by Master Glory pursuant to a deed poll dated 28 November 2016 executed by Master Glory in the principal amount of HK\$500.0 million held by Advance Tech prior to Completion             |
| “Macau”               | Macau Special Administrative Region of the PRC  |
| “Master Glory”        | Master Glory 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: 275)                                       |
| “Option”              | the option granted by Fortune Generation to Beam Castle under the Acquisition Agreement pursuant to which Beam Castle shall have the right to purchase the Option Interest from Fortune Generation within the Option Period |



|                        |   |
|------------------------|---|
| “Option Consideration” | HK\$100 million, being the consideration payable by Beam Castle to Fortune Generation for the Option Interest   |
| “Option Interest”      | the Option Shares and the Option Loan   |
| “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 of the transfer of the Option Share(s) or (ii) HK\$27,900,204.32 |
| “Option Period”        | the period of 18 months after Completion  |
| “Option Shares”        | a total of 13 shares, representing 13% of the total issued shares, in Premier Maker as at Completion  |
| “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”  | Premier Maker, Eternal Investment and 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 not less than 214 car parking spaces           |
| “Sale Loan”            | approximately 19% of the amounts owing by Premier Maker to its shareholders as at Completion  |
| “Sale Shares”          | 19 shares, representing 19% of the total issued shares, in Premier Maker as at Completion   |
| “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   |
| “Target Loan Notes”    | a portion of the Loan Notes in the principal amount of HK\$180.0 million  |

|                              |   |
|------------------------------|---|
| “Target Loan Notes Transfer” | the transfer of the Target Loan Notes (which included the interest accrued and unpaid thereon) as partial settlement of the Consideration in the amount of HK\$96.4 million |
| “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, 29 November 2019

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 (*Chief Financial Officer*)  
Mr. Chan Yiu Lun, Alan  
Mr. Wong Lai Shun, Benny

*Independent Non-executive Directors:*

Hon. Shek Lai Him, Abraham, *GBS, JP* (*Vice Chairman*)  
Mr. Kwok Ka Lap, Alva  
Mr. Chan Pak Cheong Afonso

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