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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)

**UPDATE ON THE MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF INTEREST IN
PARAGON WINNER COMPANY LIMITED**

The Board wishes to announce that the Vendor and the Purchaser have on 16th May, 2011 entered into the Supplemental Agreement to revise certain terms in the Disposal Agreement in relation to the payment schedule in respect of the Consideration and the Put Option and to defer Completion to 30th June, 2011.

References are made to the announcement of the Company dated 22nd July, 2010 (the “**Announcement**”) and the circular of the Company dated 10th August, 2010 (the “**Circular**”) in relation to the major transaction involving the disposal by the Vendor (an indirect wholly-owned subsidiary of the Company) of a 65% interest in Paragon Winner and 65% of all amounts owing by the Paragon Winner Group to the Vendor. Capitalised terms used herein have the same meanings as those defined in the Announcement and the Circular unless otherwise specified.

As described in the Announcement and the Circular, the Consideration shall be paid by the Purchaser by installments according to the payment schedule stipulated under the Disposal Agreement. However, the Purchaser fell behind the payment schedule in making the installment payments. In the circumstances and after negotiations between the parties, the Vendor and the Purchaser have on 16th May, 2011 entered into a supplemental agreement (the “**Supplemental Agreement**”) to revise certain terms in the Disposal Agreement in relation to the payment schedule in respect of the Consideration and the Put Option and to defer Completion to 30th June, 2011.

* For identification purpose only

Principal terms of the Supplemental Agreement are as follows:

The Supplemental Agreement

Date: 16th May, 2011

Parties:

- (i) Vendor: Everight Investment Limited; and
- (ii) Purchaser: Million Cube Limited.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons and are not connected persons of the Company. The principal activity of the Purchaser is investment holding.

As at the date of this announcement, the Vendor has received partial payments of the Consideration amounting to HK\$185,574,326 together with interest on the late payments in the sum of HK\$6,830,955. The parties have agreed that:

- (i) the Purchaser shall pay a further amount of not less than HK\$100,000,000 to the Vendor on or before 27th May, 2011, failing which the Vendor shall be entitled to terminate the Disposal Agreement (as varied and amended by the Supplemental Agreement) and forfeit all amounts then paid by the Purchaser, being not less than HK\$185,574,326, forthwith without further notice;
- (ii) the Purchaser shall pay the remaining balance of the Consideration together with (i) the sum of approximately HK\$6.5 million being interest on all overdue amount calculated up to and including 12th May, 2011 at the rate of 7% per annum; and (ii) interest on the unpaid balance of the Consideration as at the date of the Supplemental Agreement in the total sum of approximately HK\$6.6 million calculated from 13th May, 2011 up to and including the new completion date of 30th June, 2011 at the rate of 10% per annum to the Vendor on Completion; and
- (iii) the Completion Date shall be deferred to 30th June, 2011.

If the Purchaser fails to make the payment and/or complete the Disposal Agreement as described in paragraphs (ii) and (iii) above, the Vendor shall be entitled by written notice to terminate the Disposal Agreement (as varied and amended by the Supplemental Agreement) and forfeit all amounts then paid by the Purchaser.

As consideration for the Vendor agreeing to the deferral of both the payment schedule of the Consideration and the Completion Date, the Vendor and the Purchaser further agree to the following in relation to the Put Option:

- (i) the Exercise Period shall be revised as the period commencing from the first anniversary instead of the second anniversary of the Shareholders' Agreement with the expiry date remaining the same, being the fifth anniversary of the Shareholders' Agreement; and

- (ii) in the event that the Vendor exercises the Put Option and the Purchaser fails to complete the purchase of all of the shares in and shareholder's loan to Paragon Winner as held by the Vendor in accordance with the terms of the Shareholders' Agreement, the Purchaser shall procure:
 - (a) Paragon Winner to issue and allot such number of shares of Paragon Winner at par value to the Vendor such that the Vendor shall hold 51% of the then issued shares of Paragon Winner (as enlarged by the issue thereof); and
 - (b) Paragon Winner to appoint a company designated by the Vendor to act as the manager of the development project within the Golf Resort, the operations of the Golf JV and the Hotel JV with fee payable at commercial rate,

and that the Vendor shall be entitled to regain control of the board of directors of each of the companies in the Paragon Winner Group.

The Company will comply with the applicable Listing Rules requirements if the Put Option is to be exercised.

Reasons for the Supplemental Agreement

As advised by the Purchaser, due to various measures implemented by the PRC government in tightening the financing available in the PRC, it has taken much longer time than expected for the Purchaser, whose majority businesses are in the PRC, to obtain adequate fund for the payment of the Consideration. In this respect, the Purchaser requests the Company to agree to the deferral of the payment of the balance of the Consideration by installments and the Completion Date to 30th June, 2011. The Company has taken the following factors into consideration on accepting the Purchaser's requests:

- (i) the Purchaser has already paid an aggregate amount of HK\$185,574,326 in relation to the Disposal, representing approximately 25% of the Consideration, which can be forfeited by the Vendor in case that the Purchaser fails to pay the balance of the Consideration or complete the Disposal Agreement (as varied and amended by the Supplemental Agreement). Without entering into the Supplemental Agreement, the Vendor shall be entitled to forfeit an amount of HK\$172,215,844 as full and final settlement of all claims if Completion does not take place due to the default of the Purchaser pursuant to the Disposal Agreement;
- (ii) both deferral of the payment of the balance of the Consideration by installments and the Completion Date to 30th June, 2011 have no material financial effect on the Group; and
- (iii) the revision in relation to the terms of the Put Option provides the Group with:
 - (a) more flexibility in dealing with its remaining 35% interest in Paragon Winner after the Completion Date since the Vendor can exercise the Put Option at an earlier date; and

- (b) more protection since the Vendor can elect to regain management control of the Paragon Winner Group in case the Purchaser fails to complete the purchase of all of the shares in and shareholder's loan to Paragon Winner as held by the Vendor if the Vendor exercises the Put Option.

Based on the above, the Board considers that the entering into of the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Supplemental Agreement are fair and reasonable.

The Board is of the view that the above amendments do not constitute material changes to the terms and conditions of the Disposal as contemplated under the Disposal Agreement, which had been approved by the Shareholders at the SGM.

Other than the above amendments, all other material terms and conditions of the Disposal Agreement remain unchanged and continue in full force.

By order of the Board
ITC Properties Group Limited
Yan Ha Hung, Loucia
Company Secretary

Hong Kong, 16th May, 2011

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

Non-executive Director:

Mr. Ma Chi Kong, Karl

Independent non-executive Directors:

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