

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
KEEN STEP CORPORATION LIMITED AND
LE PETIT ROSEDALE HOTEL LIMITED**

The Board is pleased to announce that, after trading hours of the Stock Exchange on 25 August 2020, the Vendor (being an indirect wholly-owned subsidiary of the Company), the Purchaser and the Company (as the Vendor's guarantor) entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Sale Loans for an aggregate consideration of HK\$460.0 million.

The Sale Shares comprised of Sale Share A and Sale Share B, representing the respective entire issued share capital of Keen Step and LPRH as at the date of the Agreement and on Completion. The Sale Loans comprised of Sale Loan A and Sale Loan B, representing all the respective shareholder's loans owing by Keen Step and LPRH to the Vendor on the Completion Date. The principal asset of Keen Step is the Property situated at No. 7 Moreton Terrace, Causeway Bay, Hong Kong, which is a hotel with 94 guest rooms and has been leased to LPRH. The principal business of LPRH is operating the Property as Le Petit Rosedale Hotel Hong Kong.

LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirement 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.

* For identification purpose only

As at the date of this announcement, Dr. Chan directly owns 191,588,814 Shares and through Galaxyway Investments Limited, whose entire issued shares are indirectly owned by Dr. Chan, owns 76,186,279 Shares. Ms. Ng, through Fortune Crystal Holdings Limited, whose entire issued shares are indirectly owned by Ms. Ng, owns 248,031,919 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 515,807,012 Shares, representing approximately 53.9% 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 23 October 2020.

INTRODUCTION

The Board is pleased to announce that, after trading hours of the Stock Exchange on 25 August 2020, the Vendor, the Purchaser and the Company entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Sale Loans at an aggregate consideration of HK\$460.0 million.

Set out below are the principal terms of the Agreement:

Date: 25 August 2020 (after trading hours of the Stock Exchange)

Parties:

1. Vendor : Maxter Limited, an indirect wholly-owned subsidiary of the Company;
2. Purchaser : Bon Ren Investment Limited; and
3. Vendor's guarantor : the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is an investment holding company and together with its ultimate beneficial owner, Mr. WANG Dingben, are third parties independent of the Company and its connected persons. Mr. Wang is a businessman and currently a non-executive director of China New Economy Fund Limited, a company incorporated in the Cayman Islands and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 80).

Interests to be disposed of:

The assets to be disposed of comprised (i) Sale Share A, being all the issued shares of and in Keen Step; (ii) Sale Share B, being the sole issued share of and in LPRH; (iii) Sale Loan A; and (iv) Sale Loan B. The principal amounts of Sale Loan A and Sale Loan B as at 31 July 2020 were approximately HK\$126.4 million and HK\$17.3 million respectively.

Consideration and payment terms:

The Consideration is HK\$460.0 million of which:

1. the portion of the Consideration attributable to the Sale Loans shall be equal to the face value of the Sale Loans on a dollar-for-dollar basis as at the Completion Date; and
2. the remaining balance of the Consideration shall be attributable to the Sale Shares.

The Consideration shall be paid by the Purchaser to the Vendor in cash in the following manner:

- (i) a deposit of HK\$46.0 million (the "**Deposit**") has been paid to the Vendor's solicitors as stakeholders upon the signing of the Agreement; and
- (ii) the balance of the Consideration shall be paid upon Completion.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to, among other things, (i) the audited financial statements for the year ended 31 March 2020 and the unaudited financial information as at 31 July 2020 of the Disposal Group, (ii) the preliminary indicative valuation of the Property of approximately HK\$460.0 million, using the direct comparison approach, provided by Asset Appraisal Limited, an independent property valuer, (iii) the book value of the Property as recorded in the Group's consolidated financial statements for the year ended 31 March 2020 of approximately HK\$342.7 million, (iv) the total amount of the Sale Loans as at 31 July 2020 of approximately HK\$143.7 million and (v) the recent local market sentiment for hotel properties.

Conditions precedent:

Completion is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

- (a) Keen Step showing and giving a good title to the Property in accordance with Section 13 and Section 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) at least seven (7) Business Days before the Completion Date;
- (b) the Vendor delivering to the Purchaser at least seven (7) days before the Completion Date a draft certificate of incumbency in respect of the Vendor to be issued by its registered agent in customary form, which shall not contain information inconsistent with the Vendor's warranties under the Agreement;
- (c) the Vendor delivering to the Purchaser a draft legal opinion issued by a qualified BVI lawyer as to the laws of the BVI in respect of the Vendor and the execution of the Agreement and the completion documents to be executed by the Vendor on Completion at least seven (7) Business Days before the Completion Date in customary form, the content of which shall not contain opinion inconsistent with the Vendor's warranties under the Agreement;
- (d) save for and except the Lease, the Vendor delivering to the Purchaser evidence to show the termination of all of the subsisting contracts entered into by LPRH on or before Completion;
- (e) the Purchaser having completed its due diligence review on the business, financial, legal and all other aspects of the Disposal Group and satisfied with the results thereof;
- (f) the representations, undertakings and warranties by the Vendor remaining true, accurate and correct in all material respects and not misleading on the date of the Agreement and at all times up to and including the Completion Date;
- (g) no material adverse change in the assets, conditions (financial or otherwise) of the Disposal Group occurring on or before the Completion Date (save for and except the depreciation of the Property, any fluctuation in the market price of the Property and diminution or cessation of the business of LPRH);
- (h) LPRH having completed the change of its company name to such name as designated by the Purchaser and agreed by the Vendor (such agreement shall not be unreasonably withheld) before the Completion Date, and LPRH having completed the change of licensee's name of its hotel licence to the new name (if necessary under the terms and conditions of the hotel licence and any other relevant laws and regulations in Hong Kong); and
- (i) the performance and observance by the Vendor of its undertakings and obligations under the Agreement in all material respects.

The Purchaser may at its absolute discretion at any time waive any of the above conditions by notice in writing to the Vendor without prejudice to its other right and remedies under the Agreement.

If any of the above conditions, unless waived by the Purchaser, is not fulfilled or satisfied before the Completion Date, the Purchaser may terminate the Agreement by notice in writing to the Vendor whereupon the Agreement shall be determined and except for antecedent breach, none of the parties to the Agreement shall have any claim against the others and the Deposit paid shall be refunded to the Purchaser forthwith.

Completion:

Subject to the fulfillment or waiver (as the case may be) of the conditions above, Completion shall take place on 31 December 2020.

Upon Completion, the Group will cease to have any interest in the Disposal Group.

Other terms:

The Vendor shall procure to enable LPRH to continue using the existing hotel brand name “Le Petit Rosedale Hotel Hong Kong” for operation of business in the Property after Completion until the expiration of the current hotel licence in September 2024.

Default:

Should the Purchaser fail to pay the Deposit or the balance of the Consideration or complete the purchase in accordance with the provisions of the Agreement (other than due to the failure to fulfil any of the conditions precedent), the Vendor shall be entitled to forfeit the Deposit as liquidated damages and the Agreement shall be terminated and the Vendor shall not have any claim against the Purchaser whether for damages, losses and costs suffered or incurred or otherwise whatsoever.

Should the Vendor after receiving the Deposit fail to complete the sale in accordance with the provisions of the Agreement (other than due to the failure to fulfil any of the conditions precedent), the Vendor shall immediately refund to the Purchaser the Deposit together with payment of liquidated damages in an amount equal to the Deposit and the Purchaser shall not have any claim against the Vendor or the Company as the Vendor’s guarantor whether for damages, losses and costs suffered or incurred or otherwise whatsoever.

INFORMATION ON THE DISPOSAL GROUP

The Vendor directly owns the entire issued share capital of the Disposal Group. Keen Step is a company incorporated in Hong Kong on 7 May 2008 with its principal assets being the Property, namely Le Petit Rosedale Hotel Hong Kong situated at No. 7 Moreton Terrace, Causeway Bay, Hong Kong. The Property is a 31-storey hotel with 94 guest rooms and is currently leased to LPRH. LPRH is a company incorporated in Hong Kong on 26 November 2015 and its principal business is the operation of the hotel at the Property.

Set out below is the audited financial information of the Disposal Group prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	<u>Keen Step</u>	<u>LPRH</u>	<u>Keen Step</u>	<u>LPRH</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	12,187	14,732	12,209	27,239
(Loss)/Profit before taxation	(39,392)	(9,847)	11,277	(904)
(Loss)/Profit after taxation	(39,392)	(9,847)	11,277	(904)

The revenue of Keen Step for both the years ended 31 March 2019 and 2020 represented the rental income from LPRH pursuant to the Lease and hence had been eliminated in the consolidated financial statements of the Group. In addition, included in the loss/profit before taxation for the years ended 31 March 2019 and 2020 of Keen Step were increase in fair value of the Property of HK\$10.0 million and decrease in fair value of the Property of HK\$40.0 million respectively. Such fair value changes of the Property had been derecognised in the consolidated financial statements of the Group as the Property was accounted for and stated at a cost less depreciation basis, instead of at a fair value basis in the financial statements of Keen Step.

As at 31 March 2020, Keen Step recorded audited net asset value of approximately HK\$63.1 million which included an amount due to the Vendor of approximately HK\$118.0 million, and LPRH recorded audited net liabilities of approximately HK\$15.8 million which included an amount due to the Vendor of approximately HK\$13.9 million.

Sale Share A and the assets of Keen Step (including the Property) are currently charged in favour of The Hongkong and Shanghai Banking Corporation Limited as part of the securities for the Bank Loan. Part of the Consideration will be applied to pay and clear off the Bank Loan on Completion. The net proceeds from the Disposal, being the Consideration net of relevant expenses, are estimated to be approximately HK\$454.5 million. After the repayment of the Bank Loan which amounted to approximately HK\$300.2 million as at the date of this announcement, the remaining Consideration of approximately HK\$154.3 million shall be applied for the Group's general working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 of hotels and leisure business in the PRC, Hong Kong and Canada; securities investment and provision of loan financing services.

The Property has commenced operation as Le Petit Rosedale Hotel Hong Kong since the completion of the development in 2016. Its performance enjoyed the prosperous tourists industry in Hong Kong till the occurrence of the social unrests in 2019, but has been seriously hit since the outbreak of the COVID-19 early this year. The Disposal will generate a net cash return of approximately HK\$154.3 million to the Group after the repayment of the Bank Loan. The cash return will strengthen the financial resources of the Group for repayment of its borrowings when they fall due and to capture investment opportunities. In addition, an unaudited capital gain from the Disposal of approximately HK\$110.0 million is estimated to be recorded in the consolidated financial statements of the Group for the year ending 31 March 2021. Such capital gain is calculated with reference to the net proceeds of approximately HK\$454.5 million, net of the unaudited net asset value of the Disposal Group as at 31 July 2020 which amounted to approximately HK\$44.3 million, to be derecognised in the consolidated financial statements of the Group on Completion, and the Bank Loan to be discharged by the Vendor which amounted to approximately HK\$300.2 million as at the date of this announcement. Shareholders should note that the exact amount of gain/loss of the Disposal to the Group would be calculated based on the net asset value of the Disposal Group as at the Completion Date and is subject to audit and therefore may be different from the amount mentioned above. Taking into account the aforesaid, the Board considers that the terms of the Agreement, including the Consideration, 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

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirement 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 shares are indirectly owned by Dr. Chan, owns 76,186,279 Shares. Ms. Ng, through Fortune Crystal Holdings Limited, whose entire issued shares are indirectly owned by Ms. Ng, owns 248,031,919 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 515,807,012 Shares, representing approximately 53.9% 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 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 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 23 October 2020.

DEFINITIONS

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

“Agreement”	the conditional agreement for sale and purchase dated 25 August 2020 entered into amongst the Vendor, the Purchaser and the Company as the Vendor’s guarantor in relation to the sale and purchase of the Sale Shares and the Sale Loans
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Bank Loan”	all amounts, including the principal and interest, and together with all charges and fees owing by Keen Step to The Hongkong and Shanghai Banking Corporation Limited
“Board”	the board of the Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business (excluding Saturday, Sunday, public holidays) during their normal business hours
“BVI”	the British Virgin Islands
“Company”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, and whose issued Shares 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 Loans under the Agreement
“Completion Date”	the date that Completion takes place
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$460.0 million, being the aggregate consideration for the Disposal payable by the Purchaser
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Shares and the Sale Loans pursuant to the terms and conditions of the Agreement
“Disposal Group”	collectively Keen Step and LPRH
“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
“Keen Step”	Keen Step Corporation Limited, a direct wholly-owned subsidiary of the Vendor and a company incorporated in Hong Kong with limited liability
“Lease”	the lease dated 11 November 2016 entered into between Keen Step as landlord and LPRH as tenant in relation to the lease of the Property
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LPRH”	Le Petit Rosedale Hotel Limited, a direct wholly-owned subsidiary of the Vendor and a company incorporated in Hong Kong with limited liability
“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”	Le Petit Rosedale Hotel Hong Kong situated at No. 7 Moreton Terrace, Causeway Bay, Hong Kong
“Purchaser”	Bon Ren Investment Limited, a company incorporated in the BVI with limited liability
“Sale Loans”	collectively Sale Loan A and Sale Loan B
“Sale Loan A”	all the shareholder’s loan owing by Keen Step to the Vendor on the Completion Date

“Sale Loan B”	all the shareholder’s loan owing by LPRH to the Vendor on the Completion Date
“Sale Shares”	collectively Sale Share A and Sale Share B
“Sale Share A”	two (2) ordinary shares, representing the entire issued share capital, of Keen Step as at the date of the Agreement and on Completion
“Sale Share B”	one (1) ordinary share, representing the entire issued share capital, of LPRH as at the date of the Agreement 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
“Vendor”	Maxter Limited, an indirect wholly-owned subsidiary of the Company and a company incorporated in the BVI with limited liability
“%”	per cent.

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

Hong Kong, 25 August 2020

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.