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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)**

## **VOLUNTARY ANNOUNCEMENT**

### **DISPOSAL OF ENTIRE INTERESTS IN FORTRESS STATE INTERNATIONAL LIMITED BY A JOINT VENTURE COMPANY**

This is a voluntary announcement of the Company.

After trading hours of the Stock Exchange on 4 April 2022, More Star (a joint venture company held as to 40% by the Group and as to 60% by Lucky Profit) as vendor, the Company and Lucky Profit together as vendor's guarantors, and the Purchaser as purchaser entered into the Agreement pursuant to which More Star has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share for the Consideration of approximately HK\$1,375.0 million.

The principal asset of Fortress State is the Property which is operated as Rosedale Hotel Kowloon by another wholly-owned subsidiary of More Star.

The Disposal does not constitute a notifiable transaction under Chapter 14 nor a connected transaction under Chapter 14A of the Listing Rules for the Company.

This is a voluntary announcement of the Company.

### **THE AGREEMENT**

After trading hours of the Stock Exchange on 4 April 2022, More Star as vendor, the Company and Lucky Profit together as vendor's guarantors, and the Purchaser as purchaser entered into the Agreement pursuant to which More Star has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share at the Consideration of approximately HK\$1,375.0 million, with all shareholder's loan owing by Fortress State to More Star (which amounted to approximately HK\$95.2 million as at 28 February 2022) to be capitalized on Completion.

\* For identification purpose only

The Consideration has been or, as the case may be, shall be paid by the Purchaser to More Star in cash in the following manner:

- (i) an initial deposit of HK\$13,750,000 has been paid upon the signing of the Agreement to More Star's solicitors as stakeholders;
- (ii) a further deposit of HK\$123,750,000 shall be paid within 10 Business Days after the date of signing of the Agreement to More Star's solicitors as stakeholders; and
- (iii) the balance of the Consideration shall be paid upon Completion.

The Consideration was determined after arm's length negotiation between More Star and the Purchaser with reference to, among other things, the financial information of Fortress State as at 28 February 2022, the valuation of the Property as at 31 March 2022 of HK\$1,360.0 million conducted by an independent property valuer and the recent local market sentiment for hotel properties.

Completion shall take place on 2 June 2022 or such other date as More Star and the Purchaser may agree in writing, subject to the fulfillment or waiver (as the case may be) of certain conditions precedent which are customary for transactions of this nature.

Upon Completion, Fortress State will cease to be an indirect joint venture company of the Company and the Group will cease to have any interests therein.

Each of the Company and Lucky Profit acted as guarantor, on a several basis in proportion to their respective shareholdings in More Star, to guarantee the performance by More Star of its obligations under the Agreement.

## **INFORMATION ON THE PURCHASER AND LUCKY PROFIT**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

1. the Purchaser is an investment holding company which and whose direct and indirect shareholders and respective ultimate beneficial owners are third parties independent of the Company and its connected persons; and
2. Lucky Profit is an investment holding company wholly-owned by Shaw Trustee (Private) Limited which and whose ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **INFORMATION ON FORTRESS STATE AND THE PROPERTY**

More Star, which wholly owns Fortress State, is owned as to 40% by Eagle Spirit Holdings Limited, an indirect wholly-owned subsidiary of the Company, and as to 60% by Lucky Profit.

Fortress State is the owner of the Property situated at 86 Tai Kok Tsui Road, Kowloon, Hong Kong. The Property is a 27-storey hotel with 435 guest rooms and is now being operated as Rosedale Hotel Kowloon by another wholly-owned subsidiary of More Star. Pursuant to the terms of the Agreement, Fortress State shall have vacant possession of the Property on Completion and therefore the Property shall cease operation as a hotel before Completion.

The Property is currently mortgaged by Fortress State in favour of The Bank of East Asia, Limited as security for the Bank Loan, the outstanding balance of which as at the date hereof is approximately HK\$704.0 million. Each of the Company and Lucky Profit has provided guarantee for the Bank Loan on a several basis in proportion to their respective shareholdings in More Star. Part of the Consideration will be utilized for full repayment of the Bank Loan upon Completion and the above mentioned guarantee provided by the Company will then be cancelled in due course.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group acquired the 40% indirect beneficial interests in the Property in 2014. The performance of Rosedale Hotel Kowloon 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 in early 2020. The recent development of the pandemic continues to bring uncertainty to the tourism and hotel sectors in Hong Kong.

It is estimated that the Disposal will result in:

1. net proceeds of approximately HK\$656.0 million after deducting estimated direct expenses and repayment of the Bank Loan. It is intended that such net proceeds will be repatriated to the Group and Lucky Profit in proportion to their respective shareholdings in More Star. The Group intends to retain such fund repatriation as its general working capital; and
2. a capital gain attributable to the Group of approximately HK\$219.7 million which is calculated with reference to the Consideration, the unaudited net asset value of Fortress State as at 28 February 2022 and the Group's 40% shareholding interest in Fortress State.

Shareholders should note that the exact amount of gain on the Disposal attributable to the Group would be calculated based on net asset value of Fortress State as at the date of Completion 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 Consideration is fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

The Disposal does not constitute a notifiable transaction under Chapter 14 nor a connected transaction under Chapter 14A of the Listing Rules for the Company.

## DEFINITIONS

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

|                       |   |
|-----------------------|---|
| “Agreement”           | the conditional sale and purchase agreement dated 4 April 2022 entered into amongst More Star, the Company, Lucky Profit and the Purchaser in relation to the sale and purchase of the Sale Share   |
| “Bank Loan”           | all amounts, including principal and interest, and together with all charges and fees owing by Fortress State to The Bank of East Asia, Limited   |
| “Board”               | the board of the Directors  |
| “Business Day”        | a day (excluding Saturday, Sunday, public holidays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal (or their equivalents) is hoisted or remains hoisted in Hong Kong, the Republic of Singapore or Luxembourg (as the case may be) at any time between 9:00 a.m. and 5:00 p.m. and is not lowered or discontinued at or before 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong, the Republic of Singapore and Luxembourg |
| “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 Share under the Agreement   |
| “connected person(s)” | has the same meaning ascribed thereto under the Listing Rules   |
| “Consideration”       | the consideration for the Sale Share payable by the Purchaser to More Star pursuant to the terms of the Agreement   |

|                     |   |
|---------------------|---|
| “Director(s)”       | the director(s) of the Company  |
| “Disposal”          | the disposal of Sale Share pursuant to the terms of the Agreement   |
| “Fortress State”    | Fortress State International Limited, a direct wholly-owned subsidiary of More Star, which was incorporated in Hong Kong with limited liability           |
| “Group”             | collectively, the Company and its subsidiaries  |
| “HK” or “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| “HK\$”              | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Listing Rules”     | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Lucky Profit”      | Lucky Profit Holdings Limited, a company incorporated in Hong Kong with limited liability   |
| “More Star”         | More Star Limited, a company incorporated in the BVI with limited liability in which the Group has 40% shareholding and Lucky Profit has 60% shareholding |
| “Property”          | Rosedale Hotel Kowloon situated at 86 Tai Kok Tsui Road, Kowloon, Hong Kong   |
| “Purchaser”         | TKTR Investment Pte. Ltd., a company incorporated in the Republic of Singapore with limited liability   |
| “Sale Share”        | the sole issued share of and in Fortress State  |
| “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

“%”

per cent.

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

Hong Kong, 4 April 2022

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, Ms. Lam Sau Fung (*Chief Financial Officer*), Ms. Chau Mei Wah

*Independent Non-executive Directors:*

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

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