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Louis XIII Holdings Limited

路易十三集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 577)

PROPOSED SHARE CONSOLIDATION AND CONTINUING CONNECTED TRANSACTION – BUSINESS SERVICES AGREEMENT

Share Consolidation

The Board proposes to implement the Share Consolidation on the basis that every 10 issued and unissued Shares of HK\$0.20 each in the share capital of Louis XIII Holdings Limited (the “Company”) be consolidated into 1 Consolidated Share of HK\$2.00 each.

The Share Consolidation is conditional upon, among other things, the approval of Shareholders at the SGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolution in relation to the Share Consolidation.

Business Services Agreement

On 24 April 2013, Paul Y. Engineering (BVI) Limited (“PYE”), a 51% owned subsidiary of the Company, and ITC Properties Holdings Group Limited (“ITC Properties Holdings”), a direct wholly owned subsidiary of ITC Properties Group Limited (“ITC Properties”) entered into the conditional Business Services Agreement pursuant to which PYE and its subsidiaries agreed to provide the Services to ITC Properties Holdings and its associates.

ITC Properties is a substantial shareholder of the Company and indirectly owns approximately 11.22% of the Company’s issued share capital. Both ITC Properties and ITC Properties Holdings are therefore connected persons of the Company within the meaning of the Listing Rules and the transactions under the Business Services Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Business Services Agreement and the annual cap amounts for each of the three years ending 31 March 2016 are subject to the requirements of reporting, announcement and the approval of the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules at the SGM. An Independent Board Committee has been constituted to make a recommendation to the Independent Shareholders in respect of the resolution to approve the Business Services Agreement. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Business Services Agreement are fair and reasonable so far as the Shareholders are concerned. ITC Properties and its Associates who are Shareholders will abstain from voting on the resolution to approve the Business Services Agreement at the SGM.

A circular containing, among other things, (i) further details of the Share Consolidation; (ii) details of the Business Services Agreement; (iii) the advice of the independent financial adviser in relation to the Business Services Agreement; (iv) the recommendation of the Independent Board Committee in relation to the Business Services Agreement; and (v) a notice convening the SGM, will be despatched to the Shareholders on or before 8 May 2013.

(A) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every 10 issued and unissued Shares of HK\$0.20 each in the share capital of the Company be consolidated into 1 Consolidated Share of HK\$2.00 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions being satisfied:

- (i) passing of an ordinary resolution by Shareholders at the SGM to approve the Share Consolidation;
- (ii) compliance with all relevant procedures and requirements under Bermuda law (where applicable) to effect the Share Consolidation; and
- (iii) the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares to be in issue, upon the Share Consolidation becoming effective.

Subject to the satisfaction of all of the above conditions, it is expected that the Share Consolidation will become effective on the Business Day following the date of the SGM.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$3,000,000,000 divided into 15,000,000,000 Shares of HK\$0.20 each, of which 3,546,628,343 Shares have been issued and fully paid. Immediately upon the Share Consolidation becoming effective and assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the effective date of the Share Consolidation, the authorised share capital of the Company will remain at HK\$3,000,000,000, but will be divided into 1,500,000,000 Consolidated Shares of HK\$2.00 each, of which 354,662,834 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank pari passu in all respects with each other. Other than the expenses to be incurred in relation to the Share Consolidation (including without limitation professional fees and printing fees), the implementation thereof will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled.

Listing application

An application will be made by the Company to the Stock Exchange for the grant of listing of, and permission to deal in, the Consolidated Shares (which will be in issue upon the Share Consolidation becoming effective) and the underlying Consolidated Shares which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds and the exercise of the Exchange Right.

Board lot size

The current board lot size for trading in the Shares on the Stock Exchange is 2,000 Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain at 2,000 Consolidated Shares.

REASONS FOR THE PROPOSED SHARE CONSOLIDATION

The Share Consolidation will increase the nominal value of the Shares. It is expected that the Share Consolidation would bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange. As such, this may remove the constraint and/or restriction of financial institutions on investing in a company with a trading price of less than HK\$1.00 per share. Also, this may attract more investors and extend the shareholders base of the Company. Moreover, as the market value of each board lot upon the Share Consolidation becoming effective will be higher than the market value of each existing board lot, the transaction costs as a proportion of the market value of each board lot will be lowered. It is expected that the liquidity in trading of the shares will increase accordingly and the market value of the shares will more precisely

reflect the intrinsic value of the Company. The Board therefore believes that the Share Consolidation is in the best interests of the Company and the Shareholders as a whole.

OTHER ARRANGEMENTS

Odd lot trading arrangement

Fractional Consolidated Shares will be disregarded and will not be issued to Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Consolidated Shares regardless of the number of share certificates held by such holder.

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company will appoint a securities firm/ designated broker to provide matching services for the sale and purchase of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share for Shareholders, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not guaranteed. If any Shareholder is in doubt about the odd lot trading arrangement, such Shareholder should consult his/her/its own professional advisers.

Further details of the odd lot trading arrangements will be set out in the circular of the Company to be despatched to the Shareholders in relation to, amongst others, the Share Consolidation.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may, during the specified period indicated in the timetable below, submit the Existing Share Certificates in blue for existing Shares to the Company's share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in exchange for New Share Certificates in pink for Consolidated Shares with a new nominal value of HK\$2.00 each, at the expense of the Company.

Thereafter, the Existing Share Certificates will be accepted for exchange only on payment of a prescribed fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange from time to time) for each New Share Certificate to be issued or each Existing Share Certificate submitted for cancellation, whichever number of certificates involved is higher.

Nevertheless, certificates for existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for Consolidated Shares at any time.

ADJUSTMENTS TO THE CONVERTIBLE BONDS AND THE EXCHANGE RIGHT

As at the date of this announcement:

- (i) there are outstanding Convertible Bonds in the principal amount of HK\$1,202 million entitling the holders thereof to convert the same, at the initial conversion price of HK\$0.68 per Share, into an aggregate of 1,767,647,058 Shares upon exercise of the conversion rights attaching thereto; and
- (ii) were 10% of the Falloncroft Shares to have been held by Falloncroft management pursuant to the exercise of options held by Falloncroft management and were they to have paid HK\$600 million for the subscription of such Falloncroft Shares, Falloncroft management would have been entitled, upon exercise of the Exchange Right in full, to exchange such Falloncroft Shares, based on an issue price of HK\$0.68 per Share, for an aggregate of 882,352,941 Shares.

Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

Pursuant to the instrument of the Convertible Bonds and the terms of the Exchange Right, the Share Consolidation will cause adjustments to the conversion price of the outstanding Convertible Bonds, and the number of shares to be allotted on exercise of the Exchange Right. Subject to certification by the auditors of the Company or an independent financial adviser, it is understood that:

- the Convertible Bonds in the principal amount of HK\$1,202 million would be convertible, at a new conversion price of HK\$6.80, into an aggregate of 176,764,705 Consolidated Shares; and
- the Falloncroft Shares (as described above) could be exchanged, based on an issue price of HK\$6.80, into an aggregate of 88,235,294 Consolidated Shares.

EXPECTED TIMETABLE

Set out below is a tentative timetable for the implementation of the Share Consolidation. The tentative timetable below is subject to satisfaction of all of the conditions for the Share Consolidation, and is therefore for indicative purposes only. Further announcement(s) will be made by the Company regarding any significant changes to the following expected timetable as and when appropriate:–

2013

Despatch of circular and notice of the SGM On or before Wednesday, 8 May

Latest time for lodging the form of proxy
for the SGM 10:30 a.m. on Wednesday, 22 May

Expected date and time of the SGM 10:30 a.m. on Friday, 24 May

Announcement of voting results of the SGM Friday, 24 May

Effective date for the Share Consolidation Monday, 27 May

First day of free exchange of Existing Share Certificates
for New Share Certificates Monday, 27 May

Dealings in the Consolidated Shares commences . . . 9:00 a.m. on Monday, 27 May

Original counter for trading in the existing Shares in board lots
of 2,000 Shares (in the form of Existing Share Certificates)
temporarily closes. 9:00 a.m. on Monday, 27 May

Temporary counter for trading in the Consolidated Shares
in board lots of 200 Consolidated Shares (in the form
of Existing Share Certificates) opens 9:00 a.m. on Monday, 27 May

Original counter for trading in the Consolidated Shares
in board lots of 2,000 Consolidated Shares (in the form
of New Share Certificates) re-opens 9:00 a.m. on Monday, 10 June

Parallel trading in the Consolidated Shares
(in the form of both Existing Share Certificates
and New Share Certificates) commences 9:00 a.m. on Monday, 10 June

Operation of odd lot trading facility for the
Consolidated Share commences Monday, 10 June

Parallel trading in the Consolidated Shares (in the form of both Existing Share Certificates and New Share Certificates) ends 4:00 p.m. on Tuesday, 2 July

Operation of odd lot trading facility for the Consolidated Shares ends Tuesday, 2 July

Temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of Existing Share Certificates) closes 4:00 p.m. on Tuesday, 2 July

Last day for free exchange of Existing Share Certificates for New Share Certificates Thursday, 4 July

All times and dates in this announcement refer to Hong Kong local times and dates.

(B) BUSINESS SERVICES AGREEMENT

On 24 April 2013, PYE and ITC Properties Holdings entered into the conditional Business Services Agreement pursuant to which the PYE Group agreed to provide the Services to the ITC Properties Holdings Group on normal commercial terms.

THE BUSINESS SERVICES AGREEMENT, REASONS AND BENEFITS THEREOF

The key terms of the Business Services Agreement are as follows:

Date: 24 April 2013.

- Parties:
- (1) PYE, a 51% owned subsidiary of the Company; and
 - (2) ITC Properties Holdings, a direct wholly owned subsidiary of ITC Properties.

ITC Properties is a substantial shareholder of the Company and indirectly owns approximately 11.22% of the Company's issued share capital, according to the published information. ITC Properties and ITC Properties Holdings are therefore connected persons of the Company within the meaning of the Listing Rules and the transactions under the Business Services Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Services: The PYE Group may from time to time during the term of the Business Services Agreement provide the Services to the ITC Properties Holdings Group on normal commercial terms and subject to the annual cap amounts set out below.

Relevant members of the PYE Group and relevant members of the ITC Properties Holdings Group will enter into subsidiary agreements for providing the Services under the Business Services Agreement. Each subsidiary agreement will set out the particulars and the terms upon which particular Services will be rendered by the PYE Group to the ITC Properties Holdings Group. The terms of each subsidiary agreement must (i) comply with the terms of the Business Services Agreement; (ii) provide that the Services to be provided in any one year in aggregate shall be subject to the annual cap amounts set out below; and (iii) be in compliance with the relevant requirements under the Listing Rules.

Condition Precedent: The Business Services Agreement is conditional on its approval by the Independent Shareholders.

Term: The Business Services Agreement shall take effect from 1 April 2013 if the condition precedent becomes fulfilled, and will continue thereafter for a term expiring on 31 March 2016. Upon expiry, the parties may renew the Business Services Agreement subject to compliance with the Listing Rules and all applicable laws.

The Services to be provided by the PYE Group to the ITC Properties Holdings Group under the Business Services Agreement will be in the usual and ordinary course of business of the PYE Group and will be conducted on arm's length basis and on normal commercial terms. The Directors therefore consider that it would not be in the interests of the Company to deliberately exclude the ITC Properties Holdings Group as customers of the PYE Group purely because they are connected persons of the Company. The Business Services Agreement would enable the PYE Group to continue to provide the Services in compliance with the requirements of the Listing Rules, to contribute to the revenue and results of the Group, and is therefore in the interests of and are beneficial to the Group.

PROPOSED ANNUAL CAP AMOUNTS AND BASIS OF DETERMINATION

The Directors propose that the annual cap amounts of the value of Services to be rendered under the Business Services Agreement by the PYE Group to the ITC Properties Holdings Group for each of the three years ending 31 March 2014, 2015 and 2016 are set out below:

	FY 2014	FY 2015	FY 2016
Annual transaction amount cap (HK\$million)	500	1,900	2,900

Revenue from a construction contract is recognised on the percentage of completion method, measured by reference to the value of work certified. Revenue from maintenance, property development management, project management, construction related advisory services, building management and facilities management and other related services are recognised when the services are provided. Fees from construction contracts (including interior contractor works and electrical and mechanical works) and maintenance contracts are charged by reference to the value of works certified. The fees may change if the works specified in the contract are varied. Fees from property development management services, project management services, facilities management services and construction related advisory services are usually charged based on a percentage of the property development costs or the construction costs of the development or construction project. The fees may vary in line with changes in the project costs.

The estimates for the three financial years have been made based on: (i) information provided by the ITC Properties Holdings Group regarding the proposed construction schedules and/or completion or delivery of the relevant projects in progress and under discussion, the gross/construction floor area covered by the relevant projects and indicative scope of services required; (ii) historical and market rates and method for calculation of fees for the relevant services (the component of services provided which are to be charged by reference to value of works certified, as opposed to a fixed percentage of development costs having increased leading to a need to adjust the estimated timing for revenue recognition); (iii) a buffer of about 20% in respect of projects in progress and under discussion, to allow for further upward adjustments in revenue recognised in the relevant years, whether because of increases in sizes of the relevant projects, acceleration or alteration of construction or delivery schedules which are not within the PYE Group's control, or changes to the final scope of services that may be required; and (iv) additional allowances for other new projects not identified at present.

For projects not currently identified but which may be taken up and/or generate revenue during FY 2014, FY 2015 and FY 2016 (per item (iv) above), PYE has factored in further allowances of HK\$63 million (for FY 2014), HK\$176 million (for FY 2015) and HK\$238 million (for FY 2016), representing an allowance of approximately 9% to 14% over the adjusted estimates for revenue contribution from projects in progress and under discussion determined on the basis referred to above. The allowances included in the transaction caps for FY 2014, FY 2015 and FY 2016 cater for the possible continued growth of the PYE Group's services and allow for the PYE Group to readily capture potential business opportunities with the ITC Properties Holdings Group.

Shareholders and investors should note that the annual cap amounts referred to above are prepared to enable the Company to comply with the requirements of Chapter 14A of the Listing Rules. No assurance is given as to whether or not, and the extent to which, the PYE Group will be able to secure the additional projects for Services and/or generate revenue as contemplated or estimated for the sole purpose of establishing the caps or at all.

GENERAL INFORMATION AND LISTING RULES IMPLICATIONS

The Company will develop a parcel of land situated on the Cotai Strip, Macau on which it proposes to build and manage a hotel and entertainment destination which it intends to be called "Louis XIII". This project is the first of a series of ultra luxurious lifestyle experiences the Group is planning to offer the world's wealthiest. The Group is also engaged in international engineering services spanning Hong Kong, the PRC, Macau and the international market.

ITC Properties and ITC Properties Holdings are investment holding companies and the subsidiaries of ITC Properties Holdings are principally engaged in property development and investment in Macau, the PRC and Hong Kong and golf and leisure operations in the PRC. ITC Properties, through other subsidiaries, is also engaged in securities investments and the provision of loan financing services.

The Business Services Agreement and the annual cap amounts for each of the three years ending 31 March 2016 are subject to the requirements of reporting, announcement and the approval of the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules at the SGM. An Independent Board Committee has been constituted to make a recommendation to the Independent Shareholders in respect of the resolution to approve the Business Services Agreement and the annual cap amounts. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Business Services Agreement and the annual cap amounts are fair and reasonable so far as the Shareholders are concerned. ITC Properties and its Associates who are Shareholders will abstain from voting on the resolution to approve the Business Services Agreement and the annual cap amounts at the SGM.

The Directors (excluding the independent non-executive Directors whose views will be included in the circular to be issued by the Company) consider that the Business Services Agreement and the proposed annual cap amounts for each of the three years ending 31 March 2016 are fair and reasonable and in the interests of the Shareholders as a whole.

(C) GENERAL

A SGM will be convened and held by the Company for Shareholders to consider and, if thought fit, pass ordinary resolutions to approve (i) the Share Consolidation; and (ii) the Business Services Agreement and the annual cap amounts. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolution to approve the Share Consolidation. ITC Properties and its Associates who are Shareholders will abstain from voting on the resolution to approve the Business Services Agreement and the annual cap amounts.

A circular containing, among other things, (i) further details of the Share Consolidation; (ii) details of the Business Services Agreement; (iii) the advice of the independent financial adviser in relation to the Business Services Agreement; (iv) the recommendation of the Independent Board Committee in relation to the Business Services Agreement; and (v) a notice convening the SGM, will be despatched to the Shareholders on or before 8 May 2013.

(D) DEFINITIONS

In this announcement, the following terms have the meanings set forth opposite them:

“Associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (other than Saturday or Sunday or public holiday) on which banks in Hong Kong are open for business during their normal business hours;
“Business Services Agreement”	the agreement between PYE and ITC Properties Holdings dated 24 April 2013;

“Company”	Louis XIII Holdings Limited (HK Stock Code: 577), a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“Consolidated Share(s)”	ordinary share(s) of HK\$2.00 each in the share capital of the Company after the Share Consolidation;
“Convertible Bonds”	the zero coupon convertible bonds due 2025 in the outstanding principal amount of HK\$1,202 million issued by the Company;
“Directors”	the directors of the Company;
“Exchange Right”	the right to exchange Falloncroft Shares subscribed by the management of Falloncroft for Shares in the Company, as further described in the circular of the Company dated 5 January 2013;
“Existing Share Certificate(s)”	certificate(s) in respect of the existing Share(s) in blue;
“Falloncroft”	Falloncroft Investments Limited, a company incorporated in the British Virgin Islands;
“Falloncroft Shares”	ordinary shares in the capital of Falloncroft;
“FY”	the financial year ending 31 March of the relevant year;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board which comprises Ir James Chiu, Professor Lee Chack Fan, Mr Iain Ferguson Bruce and Mr Francis Goutenmacher;

“Independent Shareholders”	shareholders of the Company other than ITC Properties and its Associates;
“ITC Properties”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“ITC Properties Holdings”	ITC Properties Holdings Group Limited, a company incorporated in the British Virgin Islands with limited liability;
“ITC Properties Holdings Group”	ITC Properties Holdings and its Associates from time to time;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	Macau Special Administrative Region of the PRC;
“New Share Certificate(s)”	certificate(s) in respect of the Consolidated Share(s) in pink;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“PYE”	Paul Y. Engineering (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability;
“PYE Group”	PYE and its subsidiaries from time to time;
“Services”	services covering construction, maintenance, property development management, project management, building management, facilities management, construction related advisory services and other related services, including provision of services as main contractor, project manager, consultant and sub-contractor for a variety of works including superstructure, foundation, civil engineering, maintenance, construction and interior decoration;
“SGM”	the special general meeting of the Company to be convened for the purpose of approving the Share Consolidation and the Business Services Agreement;

“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company before the Share Consolidation;
“Share Consolidation”	the proposed share consolidation of every 10 Shares into 1 Consolidated Share;
“Shareholders”	the shareholders of the Company; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

By Order of the Board
Louis XIII Holdings Limited
Mui Ching Hung, Joanna
Company Secretary

Hong Kong, 24 April 2013

As at the date of this announcement, the composition of the Board is as follows:

Mr Stephen Hung	:	Joint Chairman (Executive Director)
Mr Peter Lee Coker Jr.	:	Joint Chairman (Executive Director)
Mr Lau Ko Yuen, Tom	:	Deputy Chairman (Executive Director)
Mr Walter Craig Power	:	Executive Director & Chief Executive Officer
Ir James Chiu, <i>OBE, JP</i>	:	Independent Non-Executive Director
Professor Lee Chack Fan, <i>SBS, JP</i>	:	Independent Non-Executive Director
Mr Iain Ferguson Bruce	:	Independent Non-Executive Director
Mr Francis Goutenmacher	:	Independent Non-Executive Director

* *For identification purpose only*