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## **Milestone Builder Holdings Limited**

**進階發展集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1667)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING EQUITY INTEREST IN A JOINT VENTURE COMPANY**

**Financial adviser to the Company**



#### **THE SP AGREEMENT**

The Board is pleased to announce that on 26 February 2021, the Purchaser, a wholly-owned subsidiary of the Company, the Vendor and the Company (as the Purchaser's guarantor) entered into the SP Agreement and the Deed of Assignment in relation to the Acquisition. Pursuant to the SP Agreement and the Deed of Assignment, the Purchaser agreed to purchase the Sale Shares, which represents 30% of the equity interest of the Target, and take the assignment of the Sale Loan; and the Vendor agreed to sell the Sale Shares and assign the Sale Loan at the total consideration of HK\$17,000,000.

Immediately before Completion, the Purchaser and the Vendor held 70% and 30% of the equity interest of the Target, respectively. Completion took place upon the signing of the SP Agreement and the Deed of Assignment on 26 February 2021. Following the Completion, the Purchaser held 100% of the equity interest of the Target and the Target became an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group. The Vendor ceased to hold any equity interest in the Target following Completion.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Immediately before Completion, the Purchaser and the Vendor held 70% and 30% of the equity interest of the Target, respectively. As the Vendor was a substantial shareholder (as defined in the Listing Rules) of the Target as at the date of the SP Agreement and hence a connected person of the Company at the subsidiary level, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between a listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if (i) the listed issuer's board of directors has approved the transaction; and (ii) the independent non-executive directors of the listed issuer have confirmed that the terms of the transaction are fair and reasonable, and the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole. Taking into consideration that (1) the Board has approved the Acquisition; and (2) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, and the Acquisition is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

## **THE SP AGREEMENT AND THE DEED OF ASSIGNMENT**

The Board is pleased to announce that on 26 February 2021, the Purchaser, a wholly-owned subsidiary of the Company, the Vendor and the Company (as the Purchaser's guarantor) entered into the SP Agreement and the Deed of Assignment in relation to the Acquisition. Pursuant to the SP Agreement and the Deed of Assignment, the Purchaser agreed to purchase the Sale Shares, which represents 30% of the equity interest of the Target, and take the assignment of the Sale Loan; and the Vendor agreed to sell the Sale Shares and assign the Sale Loan at the total consideration of HK\$17,000,000.

Major terms of the SP Agreement are set out below:

- Date: 26 February 2021
- Parties: (i) the Purchaser as the purchaser;
- (ii) the Vendor as the vendor; and
- (iii) the Company as the guarantor.

The Vendor is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding. Immediately before Completion, the Purchaser and the Vendor held 70% and 30% of the equity interest of the Target, respectively. The Vendor, being a substantial

shareholder (as defined in the Listing Rules) of the Target as at the date of the SP Agreement and the Deed of Assignment, is hence a connected person of the Company at the subsidiary level. The ultimate beneficial owner of the Vendor is also a connected person of the Company.

### **Assets to be acquired**

Pursuant to the SP Agreement and the Deed of Assignment, the Purchaser agreed to purchase the Sale Shares, which represents 30% of the equity interest of the Target, and take the assignment of the Sale Loan; and the Vendor agreed to sell the Sale Shares and assign the Sale Loan.

### **Consideration**

The Consideration is HK\$17,000,000, which has been/shall be paid and satisfied by the Purchaser in the following manner:

- (i) HK\$12,000,000 has been paid by cashier's order to the Vendor at Completion; and
- (ii) the remaining balance of the Consideration being HK\$5,000,000 (the "**Remaining Balance**") shall be paid by cashier's order to the Vendor within 21 Business Days after Completion.

### **Basis of Consideration**

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms, without limitation, with reference to (i) the valuation of the Target Properties of approximately JPY994,000,000 (equivalent to approximately HK\$74,550,000) as at 31 December 2020 as assessed by an independent qualified valuer (the "**Properties Valuation**"); (ii) the net liabilities value of the Target as at 31 December 2020 (having been adjusted with reference to the Properties Valuation); and (iii) the face value of the Sale Loan of approximately JPY217,107,000 (equivalent to approximately HK\$16,283,000) as at the date of this announcement.

### **Guarantee**

Pursuant to the SP Agreement, the Company agreed and undertook with the Vendor that the Company irrevocably and unconditionally guarantees the due performance and observance by the Purchaser of any and all the Purchaser's obligations (including but not limited to the Purchaser's obligation to pay the Remaining Balance in accordance with the manner as set out above, and if the Purchaser defaults in the performance or observance of any of the terms and conditions as out in the SP Agreement, the Company shall indemnify and keep the Vendor fully indemnified against all losses and damages costs and expenses which may be suffered or incurred by the Vendor by reason of any default on the Purchaser.

### **Completion**

Completion took place immediately upon the signing of the SP Agreement and the Deed of Assignment on 26 February 2021. Following Completion, the Purchaser held 100% of the equity interest of the Target and the Target became an indirect wholly-owned subsidiary of the Company and its financial

results will be consolidated into the financial results of the Group. The Vendor ceased to hold any equity interest in the Target following Completion. Further, the sale loan was then assigned to the Company.

### **INFORMATION ON THE PURCHASER**

The Purchaser, an indirect wholly-owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

### **INFORMATION ON THE TARGET GROUP**

The Target is a company incorporated in Hong Kong with limited liability and is principally engaged in property development in Japan. As at the date of this announcement, the Target owns the entire equity interest of the Top Table Group Companies, Top Sibley Group Companies and other immaterial subsidiaries.

The principal assets of the Target are the Target Properties. The Target Properties consist of:

- (i) a 10-storey hotel with registered area of approximately 1,049.71 square metres known as Popway Residence (“**Popway Residence**”), owned by Top Table Group Companies, which is located at the junction of Uemachi-suji and Kitakawahori-cho of Tennoji-ku, Osaka, Japan, and accessible by public transportation including Japan Railways, buses and taxi and the construction was completed in 2020; and
- (ii) a parcel of land with site area of approximately 171.15 square metres, owned by Top Sibley Group Companies, which is located at lot no. 32 ban 3, Dotonbori 1 Chome, Chuo-ku, Osaka, Japan.

The Target Properties are held under freehold.

The following table is a summary of the audited consolidated financial information of the Target for the period from 6 February 2018 (date of incorporation) to 31 March 2019 and the year ended 31 March 2020, prepared in accordance with the generally accepted accounting principles of Hong Kong:

	<b>For the year ended 31 March 2020 JPY'000 (audited)</b>	<b>For the period from 6 February 2018 (date of incorporation) to 31 March 2019 JPY'000 (audited)</b>
Net profit/(loss) before income tax for the year/period	245,027	(193,818)
Net profit/(loss) for the year/period	171,299	(193,818)

Based on the unaudited management accounts of the Target, the net liabilities value of the Target was approximately JPY137,275,000 (equivalent to approximately HK\$10,296,000) as at 31 December 2020 (having been adjusted with reference to the Properties Valuation).

The face value of the Sale Loan was approximately JPY217,107,000 (equivalent to approximately HK\$16,283,000) as at the date of this announcement.

As advised by the Vendor, its original acquisition cost of the Sale Shares as at 6 February 2018 amounted to HK\$300,000.

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

The Group has two reportable segments, namely:

- (1) construction and engineering services: principally engaged in the provision of (a) building construction services; (b) alteration, addition, fitting-out works and building services; and (c) repair and restoration of historic buildings in Hong Kong; and
- (2) property development and investment: principally engaged in the property development and investment business in Hong Kong and other countries in the Asia-Pacific region.

As the Target is principally engaged in property development in Japan and it holds property and land of high quality with good development potential, the Group's acquisition of the remaining 30% equity interest in the Target would enable the Group to enhance control efficiency and facilitate management over the Target which would benefit the property development business of the Group.

Besides, it is the intention of the Vendor to dispose of the Sale Loan at the same time when it ceases to be a shareholder of the Target. The Company considers that such arrangement is a common practice in this type of share transfer transactions.

The terms of the SP Agreement were determined after arm's length negotiations between the Vendor and the Purchaser. All the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, and the Acquisition is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. In addition, the Acquisition has been approved by the Board. As none of the Directors had any material interests in the SP Agreement, no Director was required to abstain from voting on the resolutions approving the SP Agreement and the transactions contemplated thereunder.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Immediately before Completion, the Purchaser and the Vendor held 70% and 30% of the equity interest of the Target, respectively. As the Vendor was a substantial shareholder (as defined in the Listing Rules) of the Target on the date of the SP Agreement and hence a connected person of the Company at the subsidiary level, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between a listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if (i) the listed issuer's board of directors has approved the transaction; and (ii) the independent non-executive directors of the listed issuer have confirmed that the terms of the transaction are fair and reasonable, and the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole. Taking into consideration that (1) the Board has approved the Acquisition; and (2) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, and the Acquisition is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the assignment of the Sale Loan pursuant to the SP Agreement
“Board”	the board of Directors
“Business Day(s)”	a day on which commercial banks in both Hong Kong and the PRC are generally open for business (other than a Saturday, Sunday or public holiday) (reference to each business day may be referred to as “Business Day” and collectively as “Business Days”)
“Company”	Milestone Builder Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 1667)
“Completion”	completion of the Acquisition and the assignment of the Sale Loan pursuant to the SP Agreement
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition, being HK\$17,000,000
“Deed of Assignment”	the deed of assignment dated 26 February 2021 and entered into between the Purchaser and Vendor in relation to the assignment of the Sale Loan
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the Peoples Republic of China
“JPY”	Japanese Yen, the lawful currency of Japan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Milestone Builder Investment Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company and a 70% shareholder of the Target immediately prior to Completion

“Sale Loan”	all amounts, including principal and interest, owing by the Target to the Vendor of approximately JPY217,107,000 (equivalent to approximately HK\$16,283,000) as at the date of the SP Agreement and on Completion
“Sale Shares”	300,000 ordinary shares, representing 30% of the entire issued share of the Target as at the date of the SP Agreement and on Completion
“Share(s)”	ordinary share(s) of par value HK\$1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SP Agreement”	the sale and purchase agreement dated 26 February 2021 and entered into between the Purchaser, the Vendor and the Company in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Popsible Development Limited, a company incorporated in Hong Kong with limited liability, which wholly owns the entire equity interest of the Top Table Group Companies, Top Sibley Group Companies and other immaterial subsidiaries
“Target Properties”	<p>(i) a 10-storey hotel with registered area of approximately 1,049.71 square metres known as Popway Residence located at the junction of Uemachi-suji and Kitakawahori-cho of Tennoji-ku, Osaka, Japan; and</p> <p>(ii) a parcel of land with site area of approximately 171.15 square metres located at lot no. 32 ban 3, Dotonbori 1 Chome, Chuo-ku, Osaka, Japan</p>
“Top Sibley Group Companies”	Top Sibley Investment Limited, a wholly-owned subsidiary of the Target incorporated in Hong Kong with limited liability, being the investment holding company to fully hold Top Sibley Development Limited* (トップシブリー開発株式会社), a company incorporated in Japan with limited liability
“Top Table Group Companies”	Top Table Investment Limited, a wholly-owned subsidiary of the Target incorporated in Hong Kong with limited liability, being the investment holding company to fully hold Top Table Development Limited* (トップテーブル開発株式会社), a company incorporated in Japan with limited liability



“Vendor” Ocean Sky Development Limited, a company incorporated in Hong Kong with limited liability and a 30% shareholder of the Target immediately prior to Completion

% per cent.

*In this announcement, for the purpose of illustration only, amounts quoted in JPY have been converted into HK\$ at the rate of HK\$0.075 to JPY1.0. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

By order of the Board  
**Milestone Builder Holdings Limited**  
**Hou Lingling**  
*Chairperson and Executive Director*

Hong Kong, 26 February 2021

*As at the date of this announcement, the Board comprises Ms. Hou Lingling and Mr. Ma Gang as executive Directors and Mr. Ho Siu Keung, Mr. Chu Kin Ming and Mr. Ho Wing Sum as independent non-executive Directors.*

\* *for identification purposes only*