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建業實業有限公司
Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE FORMATION OF THE JV COMPANY
FOR THE ACQUISITION OF A HOTEL PROPERTY IN JAPAN**

The Board wishes to announce that on 27 June 2023 (after trading hours), Best Range Global, a direct wholly-owned subsidiary of Hon Kwok (and hence an indirect non-wholly-owned subsidiary of the Company), entered into the Shareholders' Agreement with Long View Japan in relation to the formation of the JV Company for the purpose of investing in a hotel property (i.e. the Property) in Japan. The JV Company, through the TK Arrangement, will provide funding to The Bauhinia Hotels Group Japan which will be responsible for holding and management of the Property on behalf of the JV Company.

On the same day, The Bauhinia Hotels Group Japan entered into the Sale and Purchase Agreement with the Vendor pursuant to which The Bauhinia Hotels Group Japan has agreed to purchase, and the Vendor has agreed to sell, the Property at the consideration, inclusive of local consumption tax, of approximately JPY1,500 million (equivalent to approximately HK\$82.5 million).

The initial capital commitment of Best Range Global to the JV Company is expected to be JPY900 million (equivalent to approximately HK\$49.5 million), which is arrived at based on the shareholding proportion of Best Range Global in the JV Company of 60%, and taking into account the consideration payable under the Acquisition and other related transaction costs and expenses.

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the portion of the Initial Capital Contribution to be advanced by Best Range Global exceeds 5% but is less than 25%, the formation of the JV Company and the Acquisition constitute a discloseable transaction for the Company and is subject to the notification and publication requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Board wishes to announce that on 27 June 2023 (after trading hours), Best Range Global, an indirect non-wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement with Long View Japan in relation to the formation of the JV Company for the purpose of investing in the Property which is located in Japan. The JV Company will make such investment through the TK Arrangement under which the JV Company will provide funding to The Bauhinia Hotels Group Japan which will be responsible for holding and management of the Property on behalf of the JV Company. On the same day, The Bauhinia Hotels Group Japan entered into the Sale and Purchase Agreement with the Vendor pursuant to which The Bauhinia Hotels Group Japan has agreed to purchase, and the Vendor has agreed to sell, the Property at the consideration, inclusive of local consumption tax, of approximately JPY1,500 million (equivalent to approximately HK\$82.5 million).

The principal terms of the Shareholders' Agreement, the TK Arrangement and the Sale and Purchase Agreement are set out below.

THE SHAREHOLDERS' AGREEMENT

Date: 27 June 2023

Parties: As at the date of this announcement, the shareholding of the JV Company is as follows:

	Shareholding percentage
(i) Best Range Global, a direct wholly-owned subsidiary of Hon Kwok	60%
(ii) Long View Japan	40%
Total	100%

Long View Japan is a company incorporated in BVI with limited liability principally engaging in investment holding in the JV Company. It is wholly owned by Mr. Hui Ka Leung, Thomas, who is an experienced investor in Hong Kong and Japan property markets.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Long View Japan and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Purpose of the JV Company: The JV Company is a single purpose vehicle with the sole purpose of investing in the Property located in Japan.

Board Representation: The JV Company consists of five (5) directors, with three (3) directors representing Best Range Global and two (2) directors representing Long View Japan.

Initial Capital Contribution: In order to provide the initial funding for completing the Acquisition, Best Range Global and Long View Japan shall advance to the JV Company shareholders' loans of JPY900 million (equivalent to approximately HK\$49.5 million) and JPY600 million (equivalent to approximately HK\$33 million) respectively within one month after the date of the Shareholders' Agreement, which is in proportion to their respective interests in the JV Company.

The Company shall fund its share of the Initial Capital Contribution from the internal resources of Hon Kwok.

External Financing: The JV Company shall use reasonable endeavours to arrange external financing or re-financing for the Acquisition. If such financing or refinancing require guarantees, indemnities or securities, the JV Parties shall only provide the same on a several and pro rata basis based on their respective shareholding percentage.

It is expected that external financing of about 50% of the consideration for the purchase of the Property under the Sale and Purchase Agreement could be obtained from banks in Japan. Proceeds from such financing, if materialized, will be kept in the bank account of The Bauhinia Hotels Group Japan for future investments purpose.

In the event that no external financing could be obtained for the Acquisition, the Initial Capital Contribution by each of Best Range Global and Long View Japan is sufficient to complete the Acquisition and it is not expected that any immediate capital call will be required.

THE TK ARRANGEMENT

The TK (Tokumei Kumiai) Arrangement is a contractual arrangement defined in the Commercial Code of Japan, which is a typical investment structure adopted by foreign investors when investing in Japan, primarily for flexibility and tax benefits. Through the TK Arrangement, the JV Company (known as TK Investor) shall provide funding to The Bauhinia Hotels Group Japan (known as TK Operator) to complete the designated investment, while the TK Operator shall be responsible for the holding and management of the day-to-day operation of the investment in Japan, and distribute the allocable profits generated from the investment to the TK Investor. In particular, the TK Operator is prohibited to transfer, sell or create security on the relevant investment before the termination of the TK Arrangement and is obligated to prepare business report, balance sheet and profit and loss statement of the investment and submit the aforesaid documents to the TK Investor periodically.

The ownership of the TK Operator shall be held by “Ippan shadan hojin” (known as “ISH”), which is a form of “orphan entity” established in Japan (a legal entity without any shareholder) solely to act as the holding company of the TK Operator as part of the TK Arrangement (as the TK Investor has no equity interest in the TK Operator). The ISH is designated and appointed by the TK Investor with fixed annual remuneration and does not have any interest in the income, loss or net worth of the investments. Also, the ISH is obligated to transfer upon request its interest in the TK Operator to the TK Investor upon termination of the TK Arrangement.

For the purpose of the Acquisition, the JV Company has engaged and appointed Kato CPA Firms, a Japan certified public accounting firm, for the setting up and management of the ISH of The Bauhinia Hotels Group Japan.

THE SALE AND PURCHASE AGREEMENT

Date: 27 June 2023

Parties: (i) The Bauhinia Hotels Group Japan; and
(ii) the Vendor

The Vendor is a company incorporated in Japan principally engaged in property investment and hotel operations in Japan. It is 100% beneficially owned by Mr. Kwan Ching On, Joe who is a professional property investor and a founder of a real estate agency in Japan.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Assets to be acquired: The Property is located at a land site at Asahi 1-4-33, Nishinari-ku, Osaka-shi, Osaka, Japan. It is a 10-storey hotel building with a total gross floor area of approximately 1,808 sq.m. and consisted of 80 hotel rooms. The Property is now vacant and the JV Company is planning to lease out the Property to a hotel operator in Japan after the completion of the Acquisition.

The market value of the Property as at 16 June 2023 was JPY1,800 million (equivalent to approximately HK\$99 million) based on the valuation by an independent property valuer.

Consideration: The consideration of the Property is approximately JPY1,500 million (equivalent to approximately HK\$82.5 million), comprising consideration for the land and the building together with all consumption tax which is to be borne by The Bauhinia Hotels Group Japan, and is determined after arm's length negotiations between the JV Parties and the Vendor with reference to the prevailing market value of the Property.

The consideration of the Property under the Sale and Purchase Agreement shall be paid in the following manner:

- (i) a deposit of JPY300 million (equivalent to approximately HK\$16.5 million) (the "**Deposit**"), being 20% of the consideration of the Property, is due to be paid in cash within 5 Business Days after the signing of the Sale and Purchase Agreement.
- (ii) the remaining consideration of JPY1,200 million (equivalent to approximately HK\$66 million), being 80% of the consideration of the Property, shall be paid in cash upon completion of the Acquisition.

Completion: Completion of the Acquisition shall take place on or before 31 July 2023. The Vendor shall deliver vacant possession of the Property to The Bauhinia Hotels Group Japan upon completion.

In the event of any breach of the terms and conditions of the Sale and Purchase Agreement, the Sale and Purchase Agreement shall be terminated by either party upon giving a written notice to the defaulting party. Other than for a valid termination as stipulated under the Sale and Purchase Agreement, the defaulting party, upon termination of the Sale and Purchase Agreement, is liable to pay to the non-defaulting party an amount equivalent to 20% of the consideration of the Property (that is, the Deposit) as damages.

REASONS FOR AND BENEFITS OF THE SHAREHOLDERS' AGREEMENT AND THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in the businesses of (i) property development, (ii) property investment and (iii) property and carpark management.

The Group's property business is principally carried out by Hon Kwok, and the formation of the JV Company and the Acquisition are done through Best Range Global which is a direct wholly-owned subsidiary of Hon Kwok.

Hon Kwok has been seeking investment opportunities outside Hong Kong and the PRC from time to time with a view to diversify its property portfolio and to broaden its sources of income. The joint venture with Long View Japan and the establishment of the JV Company represent an excellent opportunity for the Group to expand into Japan property market. Leveraging on the experiences and business network of Long View Japan, it is expected that the Group is able to benefit from it to build up a solid platform and to further explore other valuable investment opportunities in Japan market.

The Property is located at the prime district of Osaka, Japan with proximity to metro and railway stations. In view of the prime location of the Property and the good public transportation networks in surrounding area, the Board believes that the Property is highly suitable to be operated as hotel for tourists and business travelers. The JV Parties intend to lease out the entire Property to a hotel operator in Japan for rental income, which could provide a stable source of additional recurring income and make a positive contribution to the Group in long run. The Board considers the Acquisition to be a valuable investment opportunity and could broaden the investment portfolio of the Group.

The JV Company is an indirect non-wholly-owned subsidiary of the Company and the results of which will be consolidated into the Group's financial statements. As to The Bauhinia Hotels Group Japan, it is considered as controlled entity of the Company pursuant to HKFRS and its results shall also be consolidated into the Group's financial statements.

The Board is of the view that the entering into of the Shareholders' Agreement and the Acquisition are in the Group's ordinary and usual course of business, and the respective terms of the Shareholders' Agreement, including the Initial Capital Contribution, and the Sale and Purchase Agreement are fair and reasonable and the formation of the JV Company and the Acquisition are in the interests of the Company, Hon Kwok and their respective shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Initial Capital Contribution for Best Range Global exceeds 5% but is less than 25%, the formation of the JV Company and the Acquisition constitute a discloseable transaction for the Company and is subject to the notification and publication requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the Property by The Bauhinia Hotels Group Japan from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
“Best Range Global”	Best Range Global Limited, a company incorporated in BVI with limited liability and is a direct wholly-owned subsidiary of Hon Kwok
“Board”	the board of Directors
“Business Day(s)”	a day on which commercial banks in Hong Kong and Japan are generally open for business (excluding Saturday, Sunday, national holidays in Japan, public holidays in Hong Kong and days where a tropical cyclone warning signal number 8 or above is hoisted, or a “black” rainstorm warning is issued in Hong Kong) during their normal business hours
“BVI”	the British Virgin Islands
“Company”	Chinney Investments, Limited (建業實業有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 216), and is the holding company of Hon Kwok
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries (including Hon Kwok)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards

“Hon Kwok”	Hon Kwok Land Investment Company, Limited (漢國置業有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 160), and is directly owned as to 68.09% by the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Initial Capital Contribution”	the initial capital commitment of the JV Parties as stipulated under the Shareholders’ Agreement, being in the aggregate amount of JPY1,500 million (equivalent to approximately HK\$82.5 million), and to be contributed by Best Range Global as to JPY900 million (equivalent to approximately HK\$49.5 million) and by Long View Japan as to JPY600 million (equivalent to approximately HK\$33 million) respectively
“JPY”	Japanese Yen, the lawful currency of Japan
“JV Company”	Optimal Trade Holdings Limited (貿旺控股有限公司), a company incorporated in BVI with limited liability and is owned as to 60% by Best Range Global and 40% by Long View Japan
“JV Parties”	Best Range Global and Long View Japan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long View Japan”	Long View Japan Limited (恆景日本有限公司), a company incorporated in BVI with limited liability and is 100% owned by Mr. Hui Ka Leung, Thomas
“PRC”	People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	comprises land, a 10-storey hotel building situated at Asahi 1-4-33, Nishinari-ku, Osaka-shi, Osaka, Japan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 June 2023 entered into between The Bauhinia Hotels Group Japan and the Vendor in respect of the Acquisition
“Shareholders’ Agreement”	the shareholders’ agreement dated 27 June 2023 entered into between Best Range Global and Long View Japan in respect of the formation of the JV Company
“sq. m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“The Bauhinia Hotels Group Japan”	The Bauhinia Hotels Group Japan I 合同會社 (Godo Kaisha), a limited liability corporation formed by agreement with the JV Company (being the investor) under the laws of Japan
“TK Arrangement”	a contractual arrangement between the JV Company and The Bauhinia Hotels Group Japan as defined in the Commercial Code of Japan, which is a typical investment structure adopted by foreign investors when investing in Japan
“Vendor”	R Hotels & Resorts 株式會社 (Kabushiki Kaisha), a limited liability corporation with issued share capital incorporated in Japan and is 100% beneficially owned by Mr. Kwan Ching On, Joe
“%”	per cent.

For the purpose of this announcement, amounts denominated in JPY have been translated into HK\$ at an exchange rate of JPY1.00 = HK\$0.055. No representation is made that any amounts in JPY and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

By Order of the Board
Yuen-Keung Chan
Executive Director,
Vice Chairman and Managing Director

Hong Kong, 27 June 2023

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman), Mr. Yuen-Keung Chan (Vice Chairman and Managing Director) and Mr. James Sing-Wai Wong as executive directors; Mr. Paul Hon-To Tong and Dr. Emily Yen Wong as non-executive directors; and Mr. Richard Chi-Ho Lo, Mr. Winfred Wai-Lap Fan and Mr. Randall Todd Turney as independent non-executive directors.