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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

ACQUISITION OF A HOTEL PROPERTY IN OSAKA, JAPAN

On 6 September 2023, The Bauhinia Hotels Group Japan I entered into the Sale and Purchase Agreement with the Vendor in relation to the acquisition of the Property at the consideration, inclusive of local consumption tax, of approximately JPY899.8 million (equivalent to approximately HK\$47.7 million).

The Bauhinia Hotels Group Japan I was established under the TK Arrangement and is solely funded and controlled by the JV Company, which in turn is 60% owned by Best Range Global, a direct wholly-owned subsidiary of Hon Kwok and an indirect non-wholly-owned subsidiary of the Company.

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25% for the Company, the Acquisition constitutes 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.

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THE SALE AND PURCHASE AGREEMENT

Date: 6 September 2023

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

The Vendor is a company incorporated in Japan principally engaged in real estate investment, and design, development and operation of hotels in Japan. It is 100% beneficially owned by Mr. Li Yan Kun (李延坤) who is a professional property investor.

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 1-18-2, Bakuromachi, Chuo-ku, Osaka, Japan. It is a 10-storey hotel building with a total gross floor area of approximately 1,017.05 sq.m. and consisted of 55 hotel rooms. The Property is now vacant and the JV Company is planning to lease out the Property to an independent hotel operator in Japan after the completion of the Acquisition.

The market value of the Property as at 1 August 2023 was JPY1,150 million (equivalent to approximately HK\$60.95 million) based on the valuation by an independent property valuer.

Consideration: The Consideration of approximately JPY899.8 million (equivalent to approximately HK\$47.7 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 I, is determined after arm's length negotiations between the JV Company and the Vendor with reference to the prevailing market value of the Property.

The Consideration shall be paid in the following manner:

- (i) a sum of JPY10 million (equivalent to approximately HK\$530,000), being approximately 1% of the Consideration, is due to be paid in cash upon signing of the Sale and Purchase Agreement; and
- (ii) the remaining consideration of JPY889.8 million (equivalent to approximately HK\$47.2 million), being approximately 99% of the Consideration, shall be paid upon completion of the Acquisition.

Completion: Completion of the Acquisition is expected to take place on or before 6 October 2023. The Vendor shall deliver vacant possession of the Property to The Bauhinia Hotels Group Japan I upon completion.

THE TK ARRANGEMENT

Through the TK Arrangement, the JV Company (as TK Investor) shall provide funding to The Bauhinia Hotels Group Japan I (as TK Operator) to complete the Acquisition, while The Bauhinia Hotels Group Japan I shall be responsible for the holding and management of the Property and distribute the allocable profits generated from the Property to the JV Company.

The ownership of The Bauhinia Hotels Group Japan I is 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 does not have any interest in the income, loss or net worth of the investments, and 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 I.

REASONS FOR AND BENEFITS OF 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.

The JV Company was established for the purpose of investing in hotel properties in Japan. As stated in the announcements of the Company dated 27 June 2023 and 30 August 2023, the JV Company has acquired two hotel properties in Osaka and Tokyo respectively, and the Property is the third hotel in Japan that has been acquired by the JV Company.

The Property is located at the prime district of Osaka with proximity to Shinsaibashi (心齋橋) shopping area, one of the most famous traveler attractions in Japan.

The JV Company intends to lease out the entire Property to an independent 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.

It is expected that external financing of not less than 50% of the Consideration could be obtained from banks in Japan and the remaining amount shall be satisfied by the capital retained in the JV Company of which the relevant portion to be contributed by Best Range Global shall be funded by internal resources of Hon Kwok. The financial results of The Bauhinia Hotels Group Japan I shall be consolidated into the Group's financial statements.

The Directors are of the view that the Acquisition is in the Group's ordinary and usual course of business, and the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and its 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 Acquisition exceeds 5% but is less than 25% for the Company, the Acquisition constitutes 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 I 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”	board of Directors
“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
“Consideration”	the consideration in the sum of approximately JPY899.8 million (equivalent to approximately HK\$47.7 million), inclusive of local consumption tax, payable by The Bauhinia Hotels Group Japan I to the Vendor for the Acquisition
“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
“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 People’s Republic of China
“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
“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
“Property”	comprises land and a 10-storey hotel building situated at 1-18-2, Bakuromachi, Chuo-ku, Osaka, Japan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 6 September 2023 entered into between The Bauhinia Hotels Group Japan I and the Vendor in respect of the Acquisition
“sq. m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“The Bauhinia Hotels Group Japan I”	The Bauhinia Hotels Group Japan I 合同会社 (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 I as defined in the Commercial Code of Japan, which is a typical investment structure adopted by foreign investors when investing in Japan
“Vendor”	Syouzen Co., Ltd. (株式会社尚善), a limited liability corporation with issued share capital incorporated in Japan and is 100% beneficially owned by Mr. Li Yan Kun (李延坤)
“%”	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\$0.053. 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
Ka-Yee Wan
Company Secretary

Hong Kong, 6 September 2023

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