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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)



漢國置業有限公司
Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 160)

JOINT ANNOUNCEMENT

DISCLOSEABLE TRANSACTION

DISPOSAL OF A HOTEL PROPERTY IN ASAKUSA, TOKYO

On 28 May 2024, The Bauhinia Hotels Group Japan 2 entered into the Sale and Purchase Agreement with the Purchaser in relation to the disposal of the Property at the consideration of approximately JPY1,872.5 million (equivalent to approximately HK\$93.6 million).

The Property was acquired by The Bauhinia Hotels Group Japan 2 on 30 August 2023 at a consideration (inclusive of local consumption tax) of approximately JPY1,572.5 million (equivalent to approximately HK\$78.6 million). It is expected that an unaudited gain on disposal of approximately JPY155 million (equivalent to approximately HK\$7.8 million), which is calculated based on the Consideration less the unaudited carrying value of the Property as at 31 March 2024, and after deducting the relevant expenses and charges, will be recognised upon completion of the Disposal. Such calculation is only an estimated figure for illustrative purpose subject to further review by the auditors of CIL and Hon Kwok.

The Bauhinia Hotels Group Japan 2 is solely funded and controlled by the JV Company which is in turn 60% owned by Best Range Global, a direct wholly-owned subsidiary of Hon Kwok and an indirect non-wholly-owned subsidiary of CIL.

One of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25% (and all other applicable percentage ratios are below 5%) for Hon Kwok. Accordingly, the Disposal constitutes a discloseable transaction for Hon Kwok and is subject to the notification and publication requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Except for the consideration ratio, all other applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is below 5% for CIL. CIL considered that the consideration ratio produces an anomalous result and applied to the Stock Exchange to apply an alternative size test. The Stock Exchange exercised its discretion under Rule 14.20 of the Listing Rules to adopt such alternative size test, and as the same is also below 5% for CIL, the Disposal does not constitute a notifiable transaction for CIL under Chapter 14 of the Listing Rules. Nevertheless, CIL makes this announcement on a voluntary basis jointly with Hon Kwok.

On 28 May 2024, The Bauhinia Hotels Group Japan 2 entered into the Sale and Purchase Agreement with the Purchaser in relation to the disposal of the Property at the consideration of approximately JPY1,872.5 million (equivalent to approximately HK\$93.6 million).

The Bauhinia Hotels Group Japan 2 is solely funded and controlled by the JV Company which is in turn 60% owned by Best Range Global, a direct wholly-owned subsidiary of Hon Kwok and an indirect non-wholly-owned subsidiary of CIL.

THE SALE AND PURCHASE AGREEMENT

Date: 28 May 2024

Parties: (i) The Bauhinia Hotels Group Japan 2; and
(ii) the Purchaser

The Purchaser is a company formed in Japan principally engaged in real estate investment and asset management in Japan. It is 100% beneficially owned by Mr. Hamasaki Takashi (浜崎隆志) who is a professional real estate investor.

To the best of the knowledge, information and belief of the respective directors of CIL and Hon Kwok, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of CIL, Hon Kwok and their respective connected persons.

Assets to be disposed of:

A capsule hotel located at Kaminarimon 1, Taito-ku, Tokyo, Japan with a total gross floor area of approximately 1,316 sq.m. and consisted of 147 capsules and 5 guest hotel rooms. The Property is sold on an “as-is” basis with a lease with an independent hotel operator in Japan commencing in July 2023 for a term of 15 years expiring on 30 June 2038.

Consideration:

The Consideration shall be paid and satisfied by the Purchaser in the following manner:

- JPY50 million (being approximately 2.7% of the Consideration) (equivalent to approximately HK\$2.5 million), shall be paid upon signing of the Sale and Purchase Agreement as deposit; and
- the balance of JPY1,822.5 million (being approximately 97.3% of the Consideration) (equivalent to approximately HK\$91.1 million), shall be paid upon completion of the Disposal.

The appraised market value of the Property as at 19 May 2024 was JPY2,300 million (equivalent to approximately HK\$115 million) based on the valuation by an independent property valuer, and is equivalent to the market value when The Bauhinia Hotels Group Japan 2 acquired the Property in August 2023.

The consideration of approximately JPY1,872.5 million (equivalent to approximately HK\$93.6 million), comprising consideration for the land and the building is determined after arm's length negotiations between the JV Company and the Purchaser and considering the prevailing market value of the Property and, amongst others, the operation synergy with other existing hotels held by the JV Company and its overall investment strategy in Japan. Please refer to the paragraph headed "Reasons for and benefits of the Disposal" below.

Completion: Completion of the Disposal is expected to take place on or before 31 July 2024.

FINANCIAL EFFECT OF THE DISPOSAL AND THE INTENDED USE OF PROCEEDS

Set out below is the unaudited profit and loss accounts of The Bauhinia Hotels Group Japan 2 since the acquisition of the Property on 30 August 2023 up to 31 March 2024:-

	For the period from 30 August 2023 to 31 March 2024	
	(JPY'000)	(HK\$'000)
Operating profit	35,062	1,753
Less: Bank loan interest	(12,879)	(644)
Other expenses	(3,275)	(164)
Profit before tax	18,908	945
Less: Taxation (<i>note</i>)	(14,041)	(702)
Profit after tax	4,867	243

Note: Taxation mainly referred to taxes incurred for the acquisition of the Property and subject to capitalization upon further confirmation by auditors

Subject to review and confirmation by the respective auditors of CIL Group and Hon Kwok Group, it is expected that upon completion of the Disposal, both CIL Group and Hon Kwok Group will record a gain (after deducting the relevant expenses and charges) of approximately JPY155 million (equivalent to approximately HK\$7.8 million), which is calculated by reference to the net proceeds (the Consideration after deducting the relevant expenses and charges) from the Disposal of approximately JPY1,809 million (equivalent to approximately HK\$90.5 million) and the unaudited carrying value of the Property as at 31 March 2024 of approximately JPY1,654 million. The gain attributable to Hon Kwok Group and CIL Group would be JPY93 million (equivalent to approximately HK\$4.7 million) and JPY64 million (equivalent to approximately HK\$3.2 million) respectively.

It is intended that the net amount receivable after the Disposal (after deduction of any amount to be repaid for redeeming the mortgage of the Property and the relevant expenses and charges) of approximately JPY839 million (equivalent to approximately HK\$42 million) will be fully retained in Japan for future investment purpose.

REASONS FOR AND BENEFITS OF THE DISPOSAL

CIL is an investment holding company incorporated in Hong Kong with limited liability. CIL Group (excluding Hon Kwok Group) is mainly engaged in property investment.

Hon Kwok is an investment holding company incorporated in Hong Kong with limited liability. Hon Kwok Group is mainly engaged in property development, property investment and property related businesses.

The Bauhinia Hotels Group Japan 2 is solely funded and controlled by the JV Company which is in turn 60% owned by Best Range Global, a direct wholly-owned subsidiary of Hon Kwok and an indirect non-wholly-owned subsidiary of CIL, and 40% by Long View Japan.

The Property was acquired by The Bauhinia Hotels Group Japan 2 on 30 August 2023 at a consideration (inclusive of local consumption tax) of approximately JPY1,572.5 million (equivalent to approximately HK\$78.6 million). The Property was acquired together with a lease with an independent hotel operator in Japan which was entered prior to the acquisition by The Bauhinia Hotels Group Japan 2. The lease has a term of 15 years expiring on 30 June 2038 at a net monthly rental rate starting from JPY5 million (equivalent to approximately HK\$250,000) for the first year up to JPY10 million (equivalent to approximately HK\$500,000) for the period from 1 July 2028 till the expiry of the lease. The Property was the second hotel in Japan that has been acquired by the JV Company.

Subsequently, the JV Company has acquired three other hotel properties in Japan. Except for the Property, all other four hotel properties have been leased to a single hotel operator in Japan, which is an independent third party, and operated under the same hotel chain named "R Hotel". This hotel chain is positioned as boutique hotel focusing on middle class customers.

The Property, on the other hand, is a capsule hotel focused on low budget customers and operated by another hotel operator who was not selected by the JV Company as the Property was acquired together with the lease.

The JV Company considers that it is beneficial to establish a strategic alliance with "R Hotel" with the intention to continue to lease its hotel properties to them, so as to establish a hotel chain platform under the same brand name. Based on this reason, the JV Company decided to dispose of the Property in order to free up its capital for other opportunities and consolidate its business model for a better future development of its hotel platform.

The market valuation of the Property remained unchanged at JPY2,300 million (equivalent to approximately HK\$115 million) at the times of acquiring and disposing of the Property. The Consideration represented a discount of approximately 18.6% over the appraised market value of the Property. However, it also represented a gross gain of JPY300 million (equivalent to approximately HK\$15 million), or approximately 19.1%, over the acquisition price of the Property, which could be realised within a period of less than a year.

Thus, the management of CIL Group and Hon Kwok Group are of the view that the Disposal represents a good opportunity for both groups to realise a satisfactory gain on the Property and to consolidate the resources of the JV Company to further develop its hotel platform in Japan. It could also enhance the liquidity of the JV Company for other better opportunities. Upon completion of the Disposal, the JV Company intends to utilize the net proceeds for future investments in hotel properties in Japan and extend the coverage of "R Hotel".

CIL Board is of the view that the Disposal is in the ordinary and usual course of business of CIL Group, and the terms of the Sale and Purchase Agreement are fair and reasonable and the Disposal is in the interests of CIL and its shareholders as a whole.

Hon Kwok Board is of the view that the Disposal is in the ordinary and usual course of business of Hon Kwok Group, and the terms of the Sale and Purchase Agreement are fair and reasonable and the Disposal is in the interests of Hon Kwok and its shareholders as a whole.

LISTING RULES IMPLICATIONS

One of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25% (and all other applicable percentage ratios being below 5%) for Hon Kwok. Therefore, the Disposal constitutes a discloseable transaction for Hon Kwok and is subject to the notification and publication requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Except for the consideration ratio, all other applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is below 5% for CIL. CIL considered that the consideration ratio produces an anomalous result and applied to the Stock Exchange to apply an alternative size test. The Stock Exchange exercised its discretion under Rule 14.20 of the Listing Rules to adopt such alternative size test, and as the same is also below 5% for CIL, the Disposal does not constitute a notifiable transaction for CIL under Chapter 14 of the Listing Rules. Nevertheless, CIL makes this announcement on a voluntary basis jointly with Hon Kwok.

DEFINITIONS

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

“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
“BVI”	the British Virgin Islands
“CIL”	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
“CIL Board”	the board of directors of CIL
“CIL Group”	CIL and its subsidiaries (including Hon Kwok Group)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the net consideration in the sum of approximately JPY1,872.5 million (equivalent to approximately HK\$93.6 million) payable by the Purchaser to The Bauhinia Hotels Group Japan 2 for the Disposal
“Disposal”	the disposal of the Property by The Bauhinia Hotels Group Japan 2 to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement

“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 CIL
“Hon Kwok Board”	the board of directors of Hon Kwok
“Hon Kwok Group”	Hon Kwok and its subsidiaries
“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 9-storey hotel building situated at Kaminarimon 1, Taito-ku, Tokyo, Japan
“Purchaser”	JAPAN GROUP 合同会社(Godo Kaisha), a limited liability corporation formed in Japan and is 100% beneficially owned by Mr. Hamasaki Takashi (浜崎隆志)
“Sale and Purchase Agreement”	the sale and purchase agreement dated 28 May 2024 entered into between The Bauhinia Hotels Group Japan 2 and the Purchaser in respect of the Disposal
“sq. m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“The Bauhinia Hotels Group Japan 2”	The Bauhinia Hotels Group Japan 2 合同会社 (Godo Kaisha), a limited liability corporation formed by the JV Company (being the investor) under the laws of Japan
“%”	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\$0.050. 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
Chinney Investments, Limited
(建業實業有限公司)
Ka-Yee Wan
Company Secretary

By Order of the Board
Hon Kwok Land Investment Company, Limited
(漢國置業有限公司)
Ka-Yee Wan
Company Secretary

Hong Kong, 28 May 2024

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

At the date of this announcement, the directors of Hon Kwok are Mr. James Sing-Wai Wong (Chairman), Mr. Xiao-Ping Li, Mr. Philip Bing-Lun Lam and Mr. Donald Yin-Shing Lam as executive directors; Dr. Emily Yen Wong as non-executive director; and Ms. Janie Fong, Mr. David Tak-Wai Ma, Mr. James C. Chen and Mr. Raymond Ming-Joe Chow as independent non-executive directors.