

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 160)

DISCLOSEABLE TRANSACTION

INCREASE IN CAPITAL CONTRIBUTION TO THE JV COMPANY FOR FURTHER ACQUISITIONS OF PROPERTIES IN JAPAN

Reference is made to the CIL Announcement in relation to the formation of the JV Company for the purpose of investing in the Property.

On 27 June 2023, Best Range Global, a direct 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. According to the Shareholders' Agreement, 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. As at the date of this announcement, each of Best Range Global and Long View Japan has contributed to the JV Company shareholders' loans of approximately JPY900 million (equivalent to approximately HK\$49.50 million) and approximately JPY600 million (equivalent to approximately HK\$33.00 million) respectively, being their Initial Capital Contribution, for completing the Acquisition.

The Company is pleased to announce that a bank financing of JPY834 million (equivalent to approximately HK\$45.87 million) has been obtained for the Acquisition. The Loan Documents, however, contain a term that the Company is required to be a guarantor of The Bauhinia Hotels Group Japan with a maximum guaranteed amount of JPY500.4 million (equivalent to approximately HK\$27.52 million), which is determined based on the shareholding percentage of Best Range Global in the JV Company.

The JV Company is also in negotiations with potential sellers of certain hotel properties in Japan but no definitive agreement has been entered into as at the date of this announcement. In order to have more flexibility in such negotiations and to enable the JV Company to make timely responses to any attractive offers, on 9 August 2023, the JV Parties entered into the Supplemental Shareholders' Agreement pursuant to which the JV Parties agreed to provide additional funding (comprising capital contributions and, where required, guarantee(s) to be provided by the JV Parties and/or their respective affiliate(s) to secure any external financing) to the JV Company up to the amount of JPY2,350 million (equivalent to approximately HK\$129.25 million), and 60% of which shall be contributed by the Group, amounting to JPY1,410 million (equivalent to approximately HK\$77.55 million).

Accordingly, the aggregate capital commitment of the Group to the JV Company under the Shareholders' Agreement, as amended and supplemented by the Supplemental Shareholders' Agreement, being its portion of the Initial Capital Contribution, the Guaranteed Amount and the Additional Capital Commitment, shall amount to JPY2,810.4 million (equivalent to approximately HK\$154.57 million).

The formation of the JV Company in June 2023 under the Shareholders' Agreement with the Initial Capital Contribution did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. However, as one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of (i) the aggregate of the Company's portion of the Initial Capital Contribution and the Guaranteed Amount; and (ii) the Total Capital Commitment, in each case exceeds 5% but is less than 25% (and all other relevant percentage ratios are below 5%), the entering into of the Supplemental Shareholders' Agreement with the Total Capital Commitment 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.

Reference is made to the CIL Announcement in relation to the formation of the JV Company, which became a subsidiary owned as to 60% by the Company, for the purpose of investing in the Property. As at the date of this announcement, the Company is a 68.09% owned subsidiary of CIL.

THE JV COMPANY AND THE SHAREHOLDERS AGREEMENT, AS SUPPLEMENTED BY THE SUPPLEMENTAL SHAREHOLDERS' AGREEMENT

On 27 June 2023, Best Range Global, a direct 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. According to the Shareholders' Agreement, 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. As at the date of this announcement, each of Best Range Global and Long View Japan has contributed to the JV Company shareholders' loans of approximately JPY900 million (equivalent to approximately HK\$49.50 million) and approximately JPY600 million (equivalent to approximately HK\$33.00 million) respectively, being their Initial Capital Contribution, for completing the Acquisition.

The Company is pleased to announce that a bank financing of JPY834 million (equivalent to approximately HK\$45.87 million) has been obtained for the Acquisition. The Loan Documents, however, contain a term that the Company is required to be a guarantor of The Bauhinia Hotels Group Japan with a maximum guaranteed amount of JPY500.4 million (equivalent to approximately HK\$27.52 million), which is determined based on the shareholding percentage of Best Range Global in the JV Company.

The JV Company is also exploring further investment opportunities in Japan and is in negotiations with potential sellers of certain hotel properties in Japan, but no definitive agreement has been entered into by the JV Company as at the date of this announcement. In order to have more flexibility in such negotiations and to enable the JV Company to make timely responses to any attractive offers, on 9 August 2023, the JV Parties entered into the Supplemental Shareholders'

Agreement pursuant to which the JV Parties agree to provide additional funding to the JV Company, details of which are set out below.

The Shareholders' Agreement, as supplemented by the Supplemental Shareholders' Agreement

Date: 27 June 2023, as supplemented on 9 August 2023

Parties: The shareholding of the JV Company is as follows:

	<u>Shareholding percentage</u>
(i) Best Range Global	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 sole purpose of the JV Company is investing in properties 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: For the purpose of the Acquisition, Best Range Global and Long View Japan shall advance to the JV Company shareholders' loans of JPY900 million (equivalent to approximately HK\$49.50 million) and JPY600 million (equivalent to approximately HK\$33.00 million) respectively within one month after the date of the Shareholders' Agreement, which is in proportion to their respective interests in the JV Company.

Additional Capital Commitment: The JV Parties shall provide additional funding (comprising capital contributions and, where required, guarantee(s) to be provided by the JV Parties and/or their respective affiliate(s) to secure any external financing) to the JV Company up to the amount of JPY2,350 million (equivalent to approximately HK\$129.25 million), and 60% of which shall be contributed by Best Range Global amounting to JPY1,410 million (equivalent to approximately HK\$77.55 million) while 40% of which shall

be contributed by Long View Japan amounting to JPY940 million (equivalent to approximately HK\$51.70 million).

The Company's share of the Initial Capital Contribution has been funded, and the Additional Capital Commitment will be funded, by the Company from its internal resources.

**External
Financing:**

A bank financing of JPY834 million (equivalent to approximately HK\$45.87 million) has been obtained for the Acquisition. As the Initial Capital Contribution was completed by the JV Parties, there will have excess capital from the bank financing after settlement of the consideration under the Acquisition and such residual capital will be kept in the bank account of The Bauhinia Hotels Group Japan for future investments purpose.

The JV Company shall use reasonable endeavours to arrange external financing or re-financing for future acquisitions. 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.

Accordingly, under the Shareholders' Agreement, as amended and supplemented by the Supplemental Shareholders' Agreement, the aggregate capital commitment of the Group to the JV Company, being the Total Capital Commitment comprising its portion of the Initial Capital Contribution, the Guaranteed Amount and the Additional Capital Commitment, shall amount to JPY2,810.4 million (equivalent to approximately HK\$154.57 million).

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL SHAREHOLDERS' AGREEMENT

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

The Company 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 JV Company has been actively seeking potential investment opportunities in Japan property market since establishment, and considered that the investment environment there is very attractive given the low interest rate and favorable financing terms from external banks and financial institutions. Leveraging on the experiences and business network of Long View Japan, the JV Company is able to source investment opportunities from time to time. Thus it is considered essential for the JV Parties to increase the funding to the JV Company in order to have more flexibility when negotiating with potential sellers and to make timely responses to any attractive offers.

It is also considered that the bank financing obtained for the Acquisition could release the resources of the JV Company for other investment opportunities, and it is common for lenders to require the provision of guarantee by beneficial owner as security for a banking facility.

In view of the above, the Board is of the view that the entering into of the Supplemental Shareholders' Agreement and the granting of the guarantee by the Company under the Loan Documents are in the Group's ordinary and usual course of business, and the terms of the Supplemental Shareholders' Agreement, including the Total Capital Commitment, and the guarantee by the Company under the Loan Documents, with the Guaranteed Amount based on the shareholding percentage of Best Range Global in the JV Company, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The formation of the JV Company in June 2023 under the Shareholders' Agreement with the Initial Capital Contribution did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. However, as one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of (i) the aggregate of the Company's portion of the Initial Capital Contribution and the Guaranteed Amount; and (ii) the Total Capital Commitment, in each case exceeds 5% but is less than 25% (and all other relevant percentage ratios are below 5%), the entering into of the Supplemental Shareholders' Agreement with the Total Capital Commitment 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 from the Vendor pursuant to the terms and conditions of a sale and purchase agreement dated 27 June 2023
“Additional Capital Commitment”	the additional funding (comprising capital contributions and, where required, guarantee(s) to be provided by the JV Parties and/or their respective affiliate(s) to secure any external financing) to the JV Company up to the amount of JPY2,350 million (equivalent to approximately HK\$129.25 million), and 60% of which shall be contributed by the Group, amounting to JPY1,410 million (equivalent to approximately HK\$77.55 million)
“Best Range Global”	Best Range Global Limited, a company incorporated in BVI with limited liability and is a direct wholly-owned subsidiary of the Company
“Board”	the board of Directors
“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 the Company
“CIL Announcement”	the announcement of CIL dated 27 June 2023 in relation to, inter alia, the formation of the JV Company, which became a subsidiary owned as to 60% by the Company, for the purpose of investing in the Property
“Company”	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
“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
“Guaranteed Amount”	the maximum amount guaranteed by the Company under the banking facility for the Property, being JPY500.4 million (equivalent to approximately HK\$27.52 million), which is determined based on the shareholding percentage of Best Range Global in the JV Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 in the aggregate amount of JPY1,500 million (equivalent to approximately HK\$82.50 million), and being contributed by Best Range Global as to JPY900 million (equivalent to approximately HK\$49.50 million) and by Long View Japan as to JPY600 million (equivalent to approximately HK\$33.00 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
“Loan Documents”	the documents relating to a bank financing of JPY834 million (equivalent to approximately HK\$45.87 million) granted to The Bauhinia Hotels Group Japan in relation to the Property
“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”	The People’s Republic of China, and 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 with a total gross floor area of approximately 1,808 sq.m. and consisted of 80 hotel rooms
“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
“Supplemental Shareholders’ Agreement”	the supplemental shareholders’ agreement dated 9 August 2023 entered into between Best Range Global and Long View Japan to supplement certain terms and conditions of the Shareholders’ Agreement
“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
“Total Capital Commitment”	the aggregate capital commitment of the Group to the JV Company under the Shareholders’ Agreement, as amended and supplemented by the Supplemental Shareholders’ Agreement, being its portion of the Initial Capital Contribution, the Guaranteed Amount and the Additional Capital Commitment, amounting to JPY2,810.4 million (equivalent to approximately HK\$154.57 million)
“Vendor”	R Hotels & Resorts 株式會社 (Kabushiki Kaisha), a limited liability corporation with issued share capital incorporated in Japan, principally engaged in property investment and hotel operations in Japan, and is 100% beneficially owned by Mr. Kwan Ching On, Joe. 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

“%”

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
James Sing-Wai Wong
Executive Director

Hong Kong, 9 August 2023

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman), Mr. James Sing-Wai Wong, Mr. Xiao-Ping Li and Mr. Philip Bing-Lun Lam as executive directors; and Ms. Janie Fong, Mr. David Tak-Wai Ma and Mr. James C. Chen as independent non-executive directors.