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## **KECK SENG INVESTMENTS (HONG KONG) LIMITED**

**激成投資(香港)有限公司**

*(incorporated in Hong Kong with limited liability)*

Website: [www.keckseng.com.hk](http://www.keckseng.com.hk)

(Stock Code: 00184)

### **DISCLOSEABLE TRANSACTION**

#### **FORMATION OF JOINT VENTURE AND INVESTMENT IN PROPERTY INTEREST IN JAPAN**

The Board is pleased to announce that pursuant to the JV Agreement, the Company has on 25 February 2010 formed a joint venture with Meadpoint, an independent third party. The joint venture is represented through the JVC, which is owned as to 97% by the Company and as to 3% by Meadpoint. On 25 February 2010, the JVC entered into a sale and purchase agreement to acquire investment interests in the Property from the Seller at a consideration of ¥1,735,667,782 (before tax) (equivalent to approximately HK\$147,531,761).

As the relevant percentage ratios of the Company in respect of the Investment exceed 5% but are less than 25%, the Investment constitutes a discloseable transaction of the Company. Accordingly, the Company is required to make an announcement in respect of the Investment under Rule 14.34 of the Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that pursuant to the JV Agreement, the Company has on 25 February 2010 formed a joint venture with Meadpoint, an independent third party. The joint venture is represented through the JVC, which is owned as to 97% by the Company and as to 3% by Meadpoint. On 25 February 2010, the JVC entered into a sale and purchase agreement to acquire investment interests in the Property from the Seller at a consideration of ¥1,735,667,782 (before tax) (equivalent to approximately HK\$147,531,761).

## **THE JOINT VENTURE**

### **1. The JV Agreement**

Date: 25 February 2010

Parties: (i) the Company; and  
(ii) Meadpoint.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Meadpoint and its ultimate beneficial owners are third parties independent of the Company and its connected persons and are not connected persons of the Company.

Prior to the entering into of the JV Agreement, Meadpoint has no past relationship with the Group and has not engaged in any other transactions with the Group.

### **2. The JVC**

The JVC is a single purpose company incorporated in the British Virgin Islands for the purpose of the investment program, namely to make investments in multifamily residential properties in the Tokyo metropolitan area. The JVC will also consider investing in other properties and real estate related investments in Japan. The Company and Meadpoint hold 97% and 3% interest in the JVC respectively, and will respectively appoint 3 directors and 1 director onto the board of the JVC.

The JVC is a non-wholly owned subsidiary of the Company and its financial results will be consolidated in the financial statements of the Company as a subsidiary.

### **3. Funding**

The initial capital commitment of the Company and Meadpoint in respect of the formation of JVC was approximately ¥1,830,000,000 (equivalent to approximately HK\$155,550,000), of which the Company contributed approximately ¥1,775,000,000 (equivalent to approximately HK\$150,875,000), representing its 97% interest in the JVC, and Meadpoint contributed approximately ¥55,000,000 (equivalent to approximately HK\$4,675,000), representing its 3% interest in the JVC. Such capital injection has been applied to the acquisition of investment interests in the Property. Save for the initial capital commitment described above, there is no binding capital commitment on the Company and Meadpoint in respect of the JVC as of the date of this announcement.

If the JVC requires additional funds to finance future operating expenses of the Investment in the future, the Company and Meadpoint shall make sufficient capital contribution by way of subscription of shares in the JVC or through other means as the Company and Meadpoint may agree. Should other investment opportunities arise in the future, the Company and Meadpoint will further agree on the additional capital commitments as and when the need arise. The Company will comply with the applicable announcement and other requirements under the Listing Rules in relation to the further capital injections as and when appropriate.

The Company intends to finance its portion of the current funding requirements by bank loans.

#### **4. Profit sharing**

It has been agreed that after allowing for payment of taxes, management expenses and other overheads, the surplus income derived from the investment(s) of the JVC will be ultimately shared by the Company and Meadpoint pro-rated on a 97:3 basis.

#### **5. Responsibilities of the Company and Meadpoint under the JV Agreement**

The JV Agreement provides for the respective responsibilities of the Company and Meadpoint. While the Company and Meadpoint will source potential investments for the JVC in coordination with each other, Meadpoint as the offshore investment manager will, among other responsibilities, identify suitable registered asset managers in Japan who possess necessary registration, approval or qualification requirements as needed by the JVC from time to time, and analyze potential investments for the JVC.

#### **6. Term**

There is no fixed term for the joint venture.

#### **7. Termination**

In the event of (i) death or permanent disability of Lawrence Sperling (“**Sperling**”) as the primary principal of Meadpoint; or (ii) Sperling is adjudicated to be mentally incompetent, ((i) and (ii) collectively, a “**DD Event**”), (iii) a decision to voluntarily dissolve Meadpoint, make any assignment for the benefit of its creditors, consent to the appointment of a trustee, receiver, conservator or similar official for Meadpoint or any material portion of its assets, or the filing of a petition seeking reorganization, liquidation or winding-up or otherwise seeking relief under any applicable bankruptcy or insolvency laws, or (iv) Meadpoint failing to timely provide the capital injection into the JVC, then the Company may elect to terminate the JV Agreement with 30 days notice. If the Company so elects, it shall (x) procure the JVC to pay any amounts owed to Meadpoint by the JVC pursuant to the JV Agreement, and (y) acquire from Meadpoint the value of its equity interest in the JVC.

## 8. Exit Option

At any time after the fifth anniversary of the acquisition of any investment asset and if the Company and Meadpoint have not otherwise agreed to an exit strategy in respect of such asset, Meadpoint as the minority partner may exercise an option to transfer its investment interest in the investment asset in question to the Company at a consideration. The consideration of such transfer will be calculated by reference to an asset valuation to be carried out when such option is exercised. After the exercise of such an option, the distribution from the JVC to both the Company and Meadpoint will be adjusted, so that Meadpoint will no longer receive any distributions in connection with the investment asset in question.

Separately, the legal representative of Meadpoint may exercise a put option to sell all of Meadpoint's interest in the JVC to the Company within 12 months of a DD Event.

## INVESTMENT IN PROPERTY INTEREST IN JAPAN

On 25 February 2010, the JVC entered into a sale and purchase agreement to acquire investment interests in the Property from the Seller at a consideration of ¥1,735,667,782 (before tax) (equivalent to approximately HK\$147,531,761). The consideration was determined after arm's length negotiations between the JVC and the Seller, and has been satisfied in cash. The consideration was financed by the capital injection by the Company and Meadpoint, as mentioned in the paragraph headed "Funding" above.

The title to the Property is and will be held under an arrangement known as Tokumei-Kumiai (anonymous partnership). The legal title to the Property will be held by a trustee, whereas the beneficial ownership will be vested with the Operator. The Operator will engage an asset manager to oversee the management of the Property. The Operator will also make quarterly cash distributions to the investors, out of the net rental income arising from its holding of the Property. The rights and obligations of the Operator as opposed to the investors are governed by agreements between the Operator and each investor.

There are two investors under the Tokumei-Kumiai arrangement, the JVC (which will be entitled to 99.73% of the distributions) and SH, an independent trust (which will be entitled to 0.27% of the distributions).

This holding structure was adopted in order to enable the Operator to enjoy tax benefits available under Japanese law and meet the Qualified Institutional Investor exemption under the Financial Instrument and Exchange Act of Japan, which would exempt the Operator from the registration requirements the Operator would otherwise have to meet. The Company has been advised that such holding structure is commonly adopted by foreign investors in their real estate investments in Japan.

Meadpoint and the asset manager engaged by the Operator will be entitled to receive and share a fixed fee which is calculated by reference to the purchase price of the Property, in addition to an incentive fee which is based on the investment income generated from the holding of the Property and a disposition fee based on the sale price of the Property (in the case of a sale in the future).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller, the Operator, the asset manager engaged by the Operator, and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons and are not connected persons of the Company.

## **INFORMATION ON THE PROPERTY**

The Property is a 12-storey freehold multi-family apartment building built in 2005. It is located in Chuo-ku, one of the 5 central wards of Tokyo and has access to 3 major train lines within 4 to 8 minutes. It is 1km to central Ginza, one of the most prestigious shopping districts in Japan, and 1.7km to Tokyo Station.

According to a valuation conducted by Savills Japan, an independent valuer engaged by the Company, the value of the Property as of 31 January 2010 is ¥2,140,000,000 (equivalent to approximately HK\$181,900,000). The valuation was based on the direct capitalisation and discounted cash flow approach.

According to the management accounts of the Property, the pre-tax operating profit attributable to the Property was ¥131,395,864 (equivalent to approximately HK\$11,168,648) and ¥117,529,965 (equivalent to approximately HK\$9,990,047) respectively for the years ended 31 December 2008 and 2009. As the management accounts provided by the Seller do not contain information on interest, taxes, depreciation and amortization expenses, these items have not been taken into account in the calculation of the net profit disclosed in this paragraph.

## **INFORMATION ON THE GROUP, MEADPOINT AND THE SELLER**

The principal activities of the Group are hotel and club operations, property investment and development and the provision of management services. The Company's principal activity is investment holding.

Meadpoint is a private real estate investment management firm incorporated in Singapore.

The Seller is a company which holds real estate properties in Japan.

## **REASONS FOR THE INVESTMENT**

The Directors consider the Investment as a move to capitalize on the Group's experience in the property investment sector at a time of the economic cycle in Japan which allows the Investment to be conducted at a reasonable capital cost and at an attractive yield. In particular, the Directors consider the formation of the joint venture with Meadpoint will provide synergy effect for the two parties to invest in the Japanese property market. The Directors believe that the Investment also enables the Group to strengthen its existing property investment portfolio.

The Directors, including the independent non-executive Directors, consider that the Investment and the terms of the relevant agreements are entered into upon normal commercial terms following arm's length negotiations among the parties and that such terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## GENERAL

As the relevant percentage ratios of the Company in respect of the Investment exceed 5% but are less than 25%, the Investment constitutes a discloseable transaction of the Company. Accordingly, the Company is required to make an announcement in respect of the Investment under Rule 14.34 of the Listing Rules.

## DEFINITIONS

“Board”	the board of Directors
“Company”	Keck Seng Investments (Hong Kong) Limited, a company incorporated in Hong Kong under the Companies Ordinance (Cap. 32), the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars
“Investment”	the formation of the joint venture between the Company and Meadpoint and the acquisition of the investment interests in the Property
“JV Agreement”	an agreement dated 25 February 2010 entered into between the Company and Meadpoint in connection with the establishment of the joint venture, further details on which are set out in this announcement
“JVC”	Acacio Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 97% by the Company and 3% by Meadpoint
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meadpoint”	Meadpoint Pte. Ltd., a company incorporated in Singapore with limited liability
“Operator”	a company incorporated in Japan acting as the operator of the Investment, further details of whose roles and responsibilities are set out in this announcement

“Property”	a 12-storey freehold multi-family apartment building located in Chuo-ku, Tokyo, Japan, built in 2005
“Seller”	New City Real Estate Trading VI Yugen Kaisha
“Shareholders”	the holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“¥”	Japanese Yen
“%”	per cent.

By Order of the Board  
**Keck Seng Investments (Hong Kong) Limited**  
**HO Kian Guan**  
*Executive Chairman*

Hong Kong, 25 February 2010

*As at the date of this announcement, the Board comprises Mr HO Kian Guan, Mr HO Kian Hock, Mr TSE See Fan Paul, Mr CHAN Lui Ming Ivan, Ms YU Yuet Chu Evelyn, Mr HO Chung Tao and Mr HO Chung Hui (whose alternate is Mr HO Chung Kain) as executive directors, Mr HO Kian Cheong as non-executive director, and Dr CHAN Yau Hing Robin, Mr KWOK Chi Shun Arthur and Ms WANG Poey Foon Angela as independent non-executive directors.*

*In this announcement, Japanese Yen (¥) has been translated into HK\$ at the rate of ¥100= HK\$8.50 for reference purpose only.*