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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  
ACQUISITION OF INVESTMENT INTERESTS IN A PROPERTY IN JAPAN**

**CONNECTED TRANSACTION  
GRANT OF OPTION TO MEADPOINT TO ACQUIRE 3% INVESTMENT  
INTERESTS IN THE PROPERTY**

**ACQUISITION OF INVESTMENT INTERESTS IN A PROPERTY IN JAPAN**

The Board is pleased to announce that on 7 September 2011, the Purchaser, a wholly-owned subsidiary of the Company, acquired investment interests in the Property from the Seller at a consideration of HK\$177,287,374 (inclusive of consumption tax). The Acquisition is expected to be completed on 12 September 2011.

As the relevant percentage ratios of the Company in respect of the Acquisition exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules. Accordingly, the Company is required to make an announcement in respect of the Acquisition under Rule 14.34 of the Listing Rules.

**GRANT OF OPTION TO MEADPOINT TO ACQUIRE 3% INVESTMENT  
INTERESTS IN THE PROPERTY**

The Property was sourced by Meadpoint as a potential investment. On 7 September 2011, the Company entered into an option agreement with Meadpoint, under which the Company agreed to grant an option to Meadpoint to purchase from the Company on or before 12 December 2011 3% of the equity interest in the Purchaser, together with the same proportion of shareholder's loan outstanding at the time of the exercise of the Option, at a consideration of HK\$5,511,613, being 3% of the consideration of the Acquisition to the Group.

Meadpoint is a company controlled by Mr. Lawrence Sperling, a director of Acacio Limited, a non-wholly owned subsidiary of the Company. Meadpoint also holds 3% of the equity interest in Acacio Limited. Pursuant to the Listing Rules, Mr. Lawrence Sperling and Meadpoint are connected persons of the Company at the level of subsidiaries and the grant of the Option constitutes a connected transaction of the Company. The relevant percentage ratios of the Company in respect of the grant of Option are less than 1%.

## **INTRODUCTION**

The Board is pleased to announce that on 7 September 2011, the Purchaser, a wholly-owned subsidiary of the Company, acquired investment interests in the Property from the Seller at a consideration of HK\$177,287,374 (inclusive of consumption tax). The Acquisition is expected to be completed on 12 September 2011.

## **ACQUISITION OF INVESTMENT INTERESTS IN A PROPERTY IN JAPAN**

On 7 September 2011, the Purchaser acquired investment interests in the Property from the Seller at a consideration of HK\$177,287,374 (inclusive of consumption tax) through a sale and purchase agreement entered into between the Operator and the Seller on the same date. The consideration was determined after arm's length negotiations between the Purchaser and the Seller, and will be satisfied in cash on or before 12 September 2011. The Group intends to finance its portion of the current funding requirements by internal resources.

The investment interests in the Property will be held under an arrangement known as *Tokumei-Kumiai* (anonymous partnership). The legal title to the Property will be held by a trustee which is a licensed trust bank in Japan, whereas the beneficial ownership will be vested with the Operator. The Operator is owned and managed independently of the Group, and the relationship between the Purchaser and the Operator is governed by an agreement between them, under which the Operator shall on behalf of the Purchaser conduct the business of acquiring, holding, receiving income from, managing and dealing with the acquired property(ies). The Operator will engage an asset manager to oversee the management of the Property. The Operator will make quarterly cash distributions to the investors, out of the revenue generated by the Property.

There are three investors under the *Tokumei-Kumiai* arrangement, the Purchaser (which will be entitled to 99.44% of the distributions), the Company (which will be entitled to 0.28% of the distributions) and the asset manager engaged by the Operator (which will be entitled to 0.28% of the distributions). The Purchaser is not a Qualified Institutional Investor under the Japanese law and therefore for this purpose, the Company, which is a Qualified Institutional Investor, was introduced as an additional investor, and will contribute ¥5,000,000 (approximately HK\$504,500) to the investment, representing 0.28% of the total investment amount against the investment amount.

The aforesaid holding structure was adopted in order to enable the investment in the Property to enjoy tax benefits available under Japanese law and to enable the Operator to 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. As the Operator will make cash distributions to the investors out of the revenue generated by the Property, such tax benefits available to the Operator will in turn benefit the Group by reason of the reduction in the tax payable and the resulting increase in net income.

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.

#### **GRANT OF OPTION TO MEADPOINT TO ACQUIRE 3% INVESTMENT INTERESTS IN THE PROPERTY**

As disclosed in the Company's announcement dated 25 February 2010, the Company and Meadpoint has formed a joint venture to make investments in multifamily residential properties in the Tokyo metropolitan area, as well as other properties and real estates related investments in Japan. Under the Joint Venture Agreement, the Company and Meadpoint will source potential investments for the joint venture in coordination with each other.

The Property was sourced by Meadpoint as a potential investment. On 7 September 2011, the Company entered into an option agreement with Meadpoint, under which the Company agreed to grant an option to Meadpoint to purchase from the Company on or before 12 December 2011 3% of the equity interest in the Purchaser, together with the same proportion of shareholder's loan outstanding at the time of the exercise of the Option, at a consideration of HK\$5,511,613, being 3% of the consideration of the Acquisition to the Group. Such consideration shall be satisfied in full by payment of cash at the time of Meadpoint's exercise of the Option.

The Purchaser will remain a subsidiary of the Group after Meadpoint's exercise of the Option. Should Meadpoint decide to exercise the Option, the Group intends to apply the proceeds as general working capital. The Group does not expect to accrue any gain or loss in relation to the potential exercise or lapse of the Option.

## **INFORMATION ON THE PROPERTY**

The Property is a 10-storey freehold hotel with 179 rooms open in 2010. It is located in the Shinsaibashi Area, one of the three major retail areas of Osaka City and within one-minute walk to the Nagahori-bashi station. It is seven-minute subway ride from the Nagahori-bashi station to Osaka's prime business district in the Umeda Station Area, and 2-4 minute ride to Osaka's primary office districts in Honmachi and Yodoyabashi.

According to a valuation report by KK AS Management, an independent valuer engaged by the Company, the value of the Property as of 31 July 2011 is ¥1,770,000,000 (equivalent to approximately HK\$178,593,000). The valuation was based on the direct capitalisation and discounted cash flow approach.

The Property was open in July 2010 and financial statements of the Property are presented with financial years ending on 30 June. According to the management accounts of the Property, the net operating profit attributable to the Property was ¥119,524,527 (equivalent to approximately HK\$12,060,025) for the 12 months ended 30 June 2011. 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.

## **COMPLETION OF THE ACQUISITION**

The completion of the Acquisition is expected to occur on 12 September 2011.

A penalty which equals to 15% of the purchase price of the Property shall be paid by the party which fails to complete the transaction. However, if a natural disaster occurred prior to the completion of the Acquisition, and the Property was destroyed, or damaged to the point that it could no longer function as a hotel, then the Acquisition will terminate as a matter of course. In such case the Company would not be required to complete the Acquisition without incurring the said penalty.

## **INFORMATION ON THE GROUP, THE PURCHASER, 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.

The Purchaser is a single purpose company incorporated in the British Virgin Islands for the purpose of the Acquisition, and is wholly-owned by the Company.

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

The Seller is a special purpose vehicle managed by Secured Capital Investment Management Co., Ltd., primarily engaged in the Japanese real estate investment business.

## **REASONS FOR THE TRANSACTIONS**

The Directors consider the Acquisition 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 Acquisition to be conducted at a reasonable capital cost and at an attractive yield. The Directors believe that the Acquisition also enables the Group to strengthen its existing property investment portfolio.

The grant of the Option to Meadpoint was pursuant to the joint venture terms between the Company and Meadpoint. The Directors consider that the joint venture between the Company and Meadpoint will provide synergy effect for the two parties in the Japanese property market.

The Directors consider that the Acquisition, the grant of the Option 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 in the interests of the Company and the shareholders as a whole. None of the Directors have a material interest in the grant of the Option.

## **GENERAL**

As the relevant percentage ratios of the Company in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules. Accordingly, the Company is required to make an announcement in respect of the Acquisition under Rule 14.34 of the Listing Rules.

Meadpoint is a company controlled by Mr. Lawrence Sperling, a director of Acacio Limited, a non-wholly owned subsidiary of the Company. Meadpoint also holds 3% of the equity interest in Acacio Limited. Pursuant to the Listing Rules, Mr. Lawrence Sperling and Meadpoint are connected persons of the Company at the level of subsidiaries and the grant of the Option constitutes a connected transaction of the Company. The relevant percentage ratios of the Company in respect of the grant of Option are less than 1%.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings

“Acquisition”	the acquisition of the investment interests in the Property by the Group
“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
“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 by the Company, further details of whose roles and responsibilities are set out in this announcement
“Option”	an option granted by the Company to Meadpoint to purchase from the Company on or before 12 December 2011 3% of the equity interest in the Purchaser, together with the same proportion of shareholder’s loan outstanding at the time of its exercise
“Property”	a 10-storey freehold hotel with 179 rooms located in Shinsaibashi Area, Osaka City, Japan, open in 2010
“Purchaser”	Lepanto Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is indirectly and wholly-owned by the Company
“Seller”	SCG Hospitality GK (SCGホスピタリティ合同会社)
“Shareholders”	The holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“¥”	Japanese Yen
“%”	per cent.

*In this announcement, Japanese Yen (¥) has been transformed into HK\$ at the rate of ¥100 = HK\$10.09 for reference purpose only.*

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

Hong Kong, 7 September 2011

*As at the date of this announcement, the board of directors of the Company 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.*