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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)

### **MAJOR TRANSACTION – ACQUISITION OF HOTEL PROPERTY**

The Board is pleased to announce that the Purchaser, a wholly-owned subsidiary of the Company, and the Seller entered into the Purchase and Sale Agreement on 13 August 2014, pursuant to which the Company has agreed to buy and the Seller has agreed to sell the Hotel Property, located in New York City, New York, United States, at the Purchase Price of US\$273,000,000 (equivalent to approximately HK\$2,115,750,000).

As the applicable percentage ratios exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to Shareholders' approval.

As at the date of this announcement, each of Goodland Limited and Kansas Holdings Limited, the two largest Shareholders holding 96,646,960 shares and 100,909,360 shares in the Company respectively, amounting to approximately 28.41% and 29.66% of the issued share capital of the Company, has given its written approval on the Acquisition. Both Goodland Limited and Kansas Holdings Limited are wholly-owned subsidiaries of Ocean Inc., which in turn is held as to 50% by each of Mr Ho Kian Guan, Executive Chairman of the Company, and Mr Ho Kian Hock, Deputy Executive Chairman of the Company. Owing to the common ownership of Goodland Limited and Kansas Holdings Limited, they form a closely allied group of Shareholders for the purpose of Rule 14.44 of the Listing Rules. As Goodland Limited and Kansas Holdings Limited together hold more than 50% of the issued shares of the Company and no Shareholder is required to abstain from voting, no general meeting for the approval of the Acquisition is required to be held.

## **INTRODUCTION**

The Board is pleased to announce that the Purchaser and the Seller entered into the Purchase and Sale Agreement on 13 August 2014, pursuant to which the Purchaser has agreed to buy and the Seller has agreed to sell the Hotel Property, located in New York City, New York, United States, at the Purchase Price of US\$273,000,000 (equivalent to approximately HK\$2,115,750,000).

## **THE PURCHASE AND SALE AGREEMENT**

Date: 13 August 2014

Purchaser: KSSF Enterprises Ltd., a wholly-owned subsidiary of the Company

Seller: West 44<sup>th</sup> Street OwnerCo, LLC

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and the ultimate beneficial owner(s) of the Seller are third parties independent of the Company and any connected persons of the Company.

Property to be acquired: The hotel facility located at 45 West 44<sup>th</sup> Street, New York City, New York, United States, and commonly known as the "Sofitel New York", which includes (but not limited to) the land, all buildings, structures, improvements, fixtures, properties and equipment on the land, all supplies, IT systems, food and beverages, retail merchandise located at the hotel facility, the management agreement, assigned operating agreement and equipment leases regarding the hotel facility, licenses and permits, intellectual property rights, books and records, plans and specifications, warranties and guarantees, bookings and accounts receivables (comprising the guest ledger) in relation to the hotel facility.

The Acquisition would be on an "as is", "where is" and "with all faults" basis, subject to wear and tear from the date of the Purchase and Sale Agreement until the Closing.

## **PURCHASE PRICE AND PAYMENT TERMS**

The Purchase Price of US\$273,000,000 was determined after arm's length negotiations between the Purchaser and the Seller, and shall be adjusted at Closing for any accounts receivables, base management fee, bookings, cash on hand, replacement reserve, trade payable, taxes, inventory, etc., in accordance with the terms of the Purchase and Sale Agreement as at 11:59 p.m. on the day preceding the Closing Date after which time all income and expenses of the Hotel Property shall be for the account of the Purchaser.

Pursuant to the terms of the Purchase and Sale Agreement, the Purchase Price shall be payable by the Purchaser to the Seller in the following manner:

- 1) a sum of US\$5,460,000 (equivalent to approximately HK\$42,315,000) shall be deposited by the Purchaser with an escrow agent within two business days after the date of the Purchase and Sale Agreement as initial deposit (the “**Initial Deposit**”);
- 2) a sum of US\$8,190,000 (equivalent to approximately HK\$63,472,500) shall be deposited by the Purchaser with an escrow agent prior to the expiration of the due diligence period (that is 5:00p.m. (Eastern Time) on the date that is 45 days after the date of the Purchase and Sale Agreement) as additional deposit (the “**Additional Deposit**”); and
- 3) at Closing, (i) Initial Deposit and the Additional Deposit shall be released to the Seller; and (ii) the Purchaser shall pay to the Seller such amount equivalent to the Purchase Price less the Initial Deposit and the Additional Deposit disbursed to the Seller.

The Purchase Price shall be financed by internal resources of the Group in addition to banking facilities.

#### **CONDITIONS PRECEDENT**

Closing is conditional upon the following:

- i. the Purchaser having paid to the Seller the Purchase Price in the manner stated in the paragraph headed “Purchase Price and Payment Terms” above;
- ii. the Seller has delivered and the Purchaser has received the Manager’s estoppel certificate evidencing that neither the Seller nor Manager is in default under the Management Agreement and that no event has occurred, with the giving of notice or passage of time or both, would constitute a default by the Seller or Manager under the Management Agreement;
- iii. the issuance by the title company to the Purchaser of the owner’s title insurance policy insuring in the amount of the Purchase Price that the Purchaser is the owner of the land and fee owner of the improvements as of the date of Closing;
- iv. all the documents required at the Closing having been delivered by the Purchaser to the Seller and/or by the Seller to the Purchaser (as the case may be) or having been deposited with the escrow agent in accordance with the Purchase and Sale Agreement;
- v. all instruments and documents required on the part of the Seller or the Purchaser to be executed and delivered to effect the Closing in form and substance required or otherwise reasonably satisfactory to the Purchaser or the Seller (as the case may be);
- vi. the respective representations and warranties of the Seller and the Purchaser in the Purchase and Sale Agreement shall remain true and correct as of the date of the date of the Closing in all material respects as if made on the date of the Closing;

- vii. the respective covenants and obligations of the Seller and the Purchaser in the Purchase and Sale Agreement having been performed in all material respects;
- viii. no order of any court of competent jurisdiction have been issued in any action declaring the illegality or invalidity of, or enjoining, the Acquisition;
- ix. no consent of any governmental authority is required for the Closing and the consummation of the Acquisition; and
- x. the Company has complied with all applicable requirements of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), including obtaining all required consent from the Stock Exchange, any regulatory bodies or shareholders of the Company.

### **CLOSING DATE**

The Closing Date will be 45 calendar days after the expiration of the due diligence period (i.e. 11 November 2014), provided that each of the Purchaser and the Seller shall have the right, in its sole discretion, to extend the Closing for a period of 10 days.

### **INFORMATION ON THE HOTEL PROPERTY**

The Hotel Property comprises the 30-storey, 398-room hotel facility located at 45 West 44<sup>th</sup> Street, New York City, New York, United States, and commonly known as the “Sofitel New York”. Sofitel New York is a full-service hotel located in the “Club Row”, between Fifth and Sixth Avenues in the Manhattan District, and in proximity to Time Square, Rockefeller Center, The Empire State Building and Radio City Music Hall. It is equipped with one food & beverage outlet, Gaby Restaurant and Bar and a range of facilities including 9 meeting rooms and a fitness centre.

The Company considers that the consideration of US\$273,000,000, which is determined after arm’s length negotiations between the Purchaser and the Seller, reflects the value of the Hotel Property. The Company will engage an independent valuer to conduct a valuation of the Hotel Property, and the valuation report prepared by such valuer will be included in the circular to be despatched to the Shareholders.

According to the management accounts of the Hotel Property provided by the Seller, the net operating income attributable to the Hotel Property was US\$11,785,000 (equivalent to approximately HK\$91,333,750) and US\$13,499,000 (equivalent to approximately HK\$104,617,250) respectively for the years ended 31 December 2012 and 2013. The said net operating income is calculated by deducting management fees, property taxes, insurance and reserve for replacement from the gross operating profit.

Furthermore, 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 operating profit disclosed in this paragraph.

After completion of the Acquisition, the Group intends to continue the operation of the Hotel Property under the Sofitel® brand. Accordingly, the Seller will assign the

Management Agreement to the Purchaser, and the Manager will continue to provide property management service for the Hotel Property.

The Management Agreement is expected to be for a term commencing on 5 January 2007 and expiring on 31 December after the 25th anniversary thereof, with three 10-year renewal options.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Directors consider the Acquisition as a move to capitalize on the Group's experience in the hotel investment sector, as well as to utilize its strong financial capacity to acquire an established, well managed, branded hotel property in a prime location in a gateway city. The Directors believe that the Acquisition will enable the Group to strengthen its existing hotel property portfolio.

The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

## **INFORMATION ON THE SELLER**

The Seller is West 44<sup>th</sup> Street OwnerCo, LLC, which is held and managed by an investment fund.

## **INFORMATION ON THE GROUP**

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.

## **GENERAL**

As the applicable percentage ratios exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to Shareholders' approval.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval for the Acquisition may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and (b) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Acquisition.

The Directors confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and the ultimate beneficial owner(s) of the Seller are third parties independent of the Company and any connected persons of the Company, and no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. As at the date of this announcement, each of Goodland Limited and Kansas Holdings Limited, the two largest

Shareholders holding 96,646,960 shares and 100,909,360 shares in the Company respectively, amounting to approximately 28.41% and 29.66% of the issued share capital of the Company, has given its written approval on the Acquisition. Both Goodland Limited and Kansas Holdings Limited are wholly-owned subsidiaries of Ocean Inc., which in turn is held as to 50% by each of Mr Ho Kian Guan, Executive Chairman of the Company, and Mr Ho Kian Hock, Deputy Executive Chairman of the Company. Owing to the common ownership of Goodland Limited and Kansas Holdings Limited, they form a closely allied group of Shareholders for the purpose of Rule 14.44 of the Listing Rules. As Goodland Limited and Kansas Holdings Limited together hold more than 50% of the issued shares of the Company and no Shareholder is required to abstain from voting, no general meeting for the Shareholders' approval of the Acquisition is required to be held.

A circular containing, among others, further details of the Acquisition, financial information on the Hotel Property and a valuation report of the Hotel Property will be dispatched to the Shareholders for their information. To allow sufficient time for the auditor and valuers to prepare their respective reports for the circular, the Company expects to dispatch the circular no later than 30 September 2014.

## **DEFINITIONS**

“Acquisition”	the acquisition of the Hotel Property by the Purchaser from the Seller pursuant to the Purchase and Sale Agreement
“Board”	the board of Directors
“Closing”	completion of the Acquisition
“Closing Date”	11 November 2014, or such other date as agreed to in writing between the Seller and the Purchaser
“Company”	Keck Seng Investments (Hong Kong) Limited, a company incorporated in Hong Kong under the Companies Ordinance (Cap. 622), the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars
“Hotel Property”	The hotel facility located at 45 West 44 <sup>th</sup> Street, New York City, New York, United States, and commonly known as the “Sofitel New York”, which includes (but not limited to) the land, all buildings, structures, improvements, fixtures, properties and equipment on the land, all supplies, IT systems, food and beverages, retail merchandise located at the hotel facility, the management agreement, assigned operating agreement and equipment leases regarding the hotel facility, licenses and permits, intellectual property rights, books and records, plans and specifications, warranties and guarantees, bookings and accounts receivables (comprising the guest ledger) in relation to the hotel facility

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the agreement under which the Manager shall provide property management service for the Hotel Property under the Sofitel® brand
“Manager”	Accor Business and Leisure Management, LLC, a limited liability company incorporated in Delaware, United States
“Purchase and Sale Agreement”	the agreement dated 13 August 2014 between the Purchaser and the Seller, pursuant to which the Purchaser has agreed to buy and the Seller has agreed to sell the Hotel Property
“Purchaser”	KSSF Enterprises Ltd., a limited liability company incorporated in California, United States, and a wholly-owned subsidiary of the Company.
“Purchase Price”	the consideration of the Acquisition, being US\$273,000,000 (equivalent to approximately HK\$2,115,750,000), subject to adjustments in accordance with the terms and conditions of the Purchase and Sale Agreement, as set out in the paragraph headed “Purchase Price and Payment Terms” in this announcement
“Seller”	West 44 <sup>th</sup> Street OwnerCo, LLC, a limited liability company incorporated in Delaware, United States
“Shareholders”	the holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollars

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

Hong Kong, 14 August 2014

*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 ,Ms. WANG Poey Foon Angela and Mr YU Hon To David as independent non-executive directors.*

*In this announcement, US\$ has been translated into HK\$ at the rate close to the date of this announcement of US\$1= HK\$7.75 for reference purpose only.*