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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

(Stock code: 184)

MAJOR TRANSACTION DISPOSAL OF HOTEL ASSETS

The Board announces that on 6 October 2023 (Toronto time), the Vendor, an indirect non-wholly owned subsidiary of the Company, and the Purchaser, entered into the Sale and Purchase Agreement, pursuant to which, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Hotel Assets at the Consideration of C\$43,200,000 (equivalent to approximately HK\$246,685,000).

As one of the applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceeds 25% but are all less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, and shareholders' approval requirements under the Listing Rules.

A GM will be held to seek approval from the independent shareholders of the Company for the Disposal. As at the date of this announcement, the Vendor is indirectly owned as to 85% by the Group and 15% by KS Ocean Inc., respectively. Goodland Limited and Kansas Holdings Limited, the two largest Shareholders holding 96,646,960 shares and 101,437,360 shares in the Company respectively, representing approximately 28.41% and 29.82% of the issued share capital of the Company, are wholly-owned subsidiaries of KS Ocean Inc., in which each of Mr. HO Kian Guan and Mr. HO Kian Hock had one-third interest in its issued shares respectively. Mr. TSE See Fan Paul is a director of KS Ocean Inc.. As such, Mr. HO Kian Guan, Mr. HO Kian Hock, Goodland Limited, Kansas Holdings Limited, Mr. TSE See Fan Paul and their close associates have a material interest in the Disposal and shall abstain from voting at the GM. Save for the above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Disposal and will be required to abstain from voting on the relevant resolution to approve the Disposal at the GM.

A circular containing, among other things, (i) further details of the Disposal; (ii) other information as required under the Listing Rules; and (iii) a notice of GM is expected to be despatched to the Shareholders on or before 31 October 2023.

INTRODUCTION

The Board announces that on 6 October 2023 (Toronto time), the Vendor, an indirect non-wholly owned subsidiary of the Company, and the Purchaser, entered into the Sale and Purchase Agreement, pursuant to which, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Hotel Assets at the Consideration of C\$43,200,000 (equivalent to approximately HK\$246,685,000).

THE SALE AND PURCHASE AGREEMENT

Date

6 October 2023 (Toronto time)

Parties

- (1) the Vendor, an indirect non-wholly owned subsidiary of the Company; and
- (2) the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Subject Assets

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire, its interest in the Hotel Assets.

The Hotel Assets comprise the Hotel Property, and include (but not limited to) the land, all buildings, structures, improvements, fixtures on the land, all machinery, tools, chattels, movables, furniture, equipment and other tangible properties, inventories, consumables and operating supplies, assigned operating contracts and leases regarding the Hotel Property, licenses and permits, intellectual and industrial property rights, books and records, customer lists and accounts receivables immediately after the date of Completion in relation to the Hotel Property.

The Hotel Property is a full-service lodging facility and is located close to the Canadian Parliament in Ottawa. It opened in 1972. It has 236 guest rooms, a restaurant, a bar and lounge, a club lounge, approximately 10,000 square feet of meeting space, an indoor pool, a fitness room, a business center and 108 carpark spaces. The Hotel Property has experienced a range of fluctuating occupancy rates and room rates over the past few years.

Certain financial information with respect to the operation of the Hotel Property, which is derived from the financial statements of the Vendor prepared in accordance with the International Financial Reporting Standards, is as follows:

	For the period ended	For the year ended	
	30 June 2023	31 December 2022	31 December 2021
	C\$'000 (unaudited)	C\$'000 (audited)	C\$'000 (audited)
(Loss)/profit before taxation	(86)	1,812	(3,809)
(Loss)/profit after taxation	(89)	1,329	(2,798)

The carrying value of the Hotel Assets as at 30 June 2023, 31 December 2022 and 31 December 2021 amounted to C\$14,379,000, C\$14,344,000 and C\$15,392,000, respectively.

Consideration

The Consideration shall be in the amount of C\$43,200,000 (equivalent to approximately HK\$246,685,000). The Consideration is subject to adjustment in accordance with the terms of the Sale and Purchase Agreement and will be settled by the Purchaser in the following manner:

- (i) prior to 5:00 p.m. (Toronto time) on the first Business Day following the date on which the Notice of Shareholders' Approval is given by the Vendor, an initial deposit of C\$500,000 (equivalent to approximately HK\$2,855,000) by wire transfer to the Vendor's solicitor in escrow, which shall be released and paid to the Vendor upon Completion;
- (ii) prior to 5:00 p.m. (Toronto time) on the first Business Day following the day on which notice in respect of waiver or satisfaction of due diligence of the Hotel Assets and the titles thereto is given by the Purchaser, a further deposit of C\$1,500,000 (equivalent to approximately HK\$8,565,000) by wire transfer to the Vendor's solicitor in escrow, which shall be released and paid to the Vendor upon Completion; and
- (iii) the remaining balance of the Consideration, subject to adjustments set out in the section headed "Adjustment to Consideration" in this announcement, shall be settled upon Completion by wire transfer to the Vendor.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser, with reference to the management accounts of the Vendor and the market price of similar properties in the vicinity of the Hotel Property.

Adjustment to Consideration

The Vendor shall deliver a proposed statement of Completion adjustment to the Consideration to the Purchaser no later than 4 Business Days prior to the date of Completion.

In respect of the Completion adjustment, the Consideration shall be adjusted to the effect that (i) the revenues, receivables and expenses with respect to the Hotel Assets and the business related thereof accrued prior to the night audit on the date of Completion; and (ii) the liabilities and obligations with respect to the Hotel Assets and the business related thereof accrued prior to the date immediately before the date of Completion shall belong to the Vendor, whereas those thereafter shall belong to the Purchaser.

Conditions precedent to the Sale and Purchase Agreement

The Disposal is conditional upon, among other things, the following conditions precedent:

- (i) the Company having obtained the Shareholders' approval in respect of the Disposal;
- (ii) the due diligence of the Hotel Assets and the titles thereto being satisfied or waived by the Purchaser prior to the first Business Day after 30 days of the date on which the Notice of Shareholders' Approval is given by the Vendor; and
- (iii) the payment of the Consideration (subject to adjustment) by the Purchaser to the Vendor.

Completion

Completion shall take place on the first Business Day which is 45 days following the date on which the notice in respect of waiver or satisfaction of due diligence of the Hotel Assets and the titles thereto is given by the Purchaser, or at such other time as the parties may agree in writing.

INFORMATION ON THE VENDOR AND THE GROUP

The Vendor is currently owned as to 85% by the Group and 15% by KSC Enterprises Ltd, the latter being an indirect wholly-owned subsidiary of KS Ocean Inc.. The Vendor's principal activity is operation of the Hotel Property, being its sole asset.

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.

INFORMATION ON THE PURCHASER

The Purchaser is a private company with limited liability incorporated under the laws of the Province of Ontario and is principally engaged in investment in hotels and acquisition of petroleum and retail properties. It is ultimately owned by Mr. Ray Gupta, the chairman of the Purchaser.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Against the background of current economic climate and prevailing market conditions, the Group believes it is an opportune time to realise the profits from the Disposal, while allowing the Group to streamline its portfolio of investment properties to better align it with the Group's investment objectives and parameters, whilst continuing to build a balanced and diversified portfolio of investment properties in key cities and locations where demand for high-quality hotel accommodation continues to grow, and where our expertise, experience and resources can better contribute to adding value and synergy.

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

The Group will realise a gain on disposal of the Hotel Assets upon Completion, and 85% of the gain would be attributable to equity shareholders of the Company.

Based on the financial information as at 30 June 2023, the Group estimates to realise a gain before taxation and transaction costs on disposal of approximately C\$28,821,000 (equivalent to approximately HK\$164,576,000), being the difference between the estimated proceeds from the Disposal and the carrying value of the Hotel Assets.

The Shareholders shall note that the financial effect of the Disposal is subject to change upon Completion and final audit by the auditors of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Group intends to utilise the net proceeds from the Disposal towards several possible alternatives, including to seek and invest in new business opportunities that have synergies with the Group's existing businesses with a continuing focus on hotels and properties, as well as for the Group's general working capital. Further, in light of the prevailing high interest rate environment, the Group will proactively monitor interest-rate levels and consider the possibility of reducing its debt in order to optimise net interest costs.

LISTING RULES IMPLICATION

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A GM will be held to seek approval from the independent shareholders of the Company for the Disposal. As at the date of this announcement, the Vendor is indirectly owned as to 85% by the Group and 15% by KS Ocean Inc., respectively. Goodland Limited and Kansas Holdings Limited, the two largest Shareholders holding 96,646,960 shares and 101,437,360 shares in the Company respectively, representing approximately 28.41% and 29.82% of the issued share capital of the Company, are wholly-owned subsidiaries of KS Ocean Inc., in which each of Mr. HO Kian Guan and Mr. HO Kian Hock had one-third interest in its issued shares respectively. Mr. TSE See Fan Paul is a director of KS Ocean Inc.. As such, Mr. HO Kian Guan, Mr. HO Kian Hock, Goodland Limited and Kansas Holdings Limited, Mr. TSE See Fan Paul and their close associates have a material interest in the Disposal and shall abstain from voting at the GM. Save for the above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Disposal and will be required to abstain from voting on the relevant resolution to approve the Disposal at the GM.

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DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	any day other than a Saturday, Sunday or statutory holiday in Toronto, Ontario
“C\$”	Canadian dollars, the lawful currency of Canada
“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
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Disposal in the amount of C\$43,200,000 (equivalent to approximately HK\$246,685,000), subject to adjustment in accordance with the terms of Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Hotel Assets by the Vendor pursuant to the Sale and Purchase Agreement
“GM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Assets”	the assets to be disposed of by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement, the details of which are set out in the paragraph headed “Subject Assets” in this announcement
“Hotel Property”	the Sheraton Ottawa Hotel located at 150 Albert Street, Ottawa, Ontario, the details of which are set out in the paragraph headed “Subject Assets” in this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notice of Shareholders’ Approval”	the notice to the Purchaser in relation to the obtainment of Shareholders’ approval in respect of the Disposal
“Purchaser”	Sunray Group of Hotels Inc., a corporation incorporated under the laws of the Province of Ontario
“Sale and Purchase Agreement”	the sale and purchase agreement dated 6 October 2023 (Toronto time) entered into between the Vendor and the Purchaser in respect of the Disposal
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Vendor”	Chateau Ottawa Hotel Inc., a company with limited liability incorporated in British Columbia, Canada
“%”	per cent

For the purpose of illustration only and unless otherwise stated, conversion of C\$ into HK\$ in this announcement is based on the exchange rate of C\$1.00 to HK\$5.7103. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

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

Hong Kong, 9 October 2023

As at the date of this announcement, the Board of the Company comprises Mr. HO Kian Guan, Mr. HO Kian Hock, Mr. TSE See Fan Paul, Mr. CHAN Lui Ming Ivan and Mr. HO Chung Hui (whose alternate is Mr. HO Chung Kain) as executive directors, Mr. HO Kian Cheong (whose alternate is Mr. HO Chung Kiat Sydney) as non-executive director, and Mr. KWOK Chi Shun Arthur, Ms. WANG Poey Foon Angela, Mr. YU Hon To David and Mr. Stephen TAN as independent non-executive directors.