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HKRI

香港興業國際集團有限公司*

HKR International Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00480)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION

On 6 June 2019, the Tenderer, an indirect wholly-owned subsidiary of the Company, has received the Acceptance of Tender in relation to the successful tender by the Tenderer for the purchase of the Sale Shares and Sale Loan at a total consideration of HK\$760 million (subject to adjustments for the Net Asset Value of the Target Company).

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 6 June 2019, the Tenderer, an indirect wholly-owned subsidiary of the Company, has received the Acceptance of Tender in relation to the successful tender by the Tenderer for the purchase of the Sale Shares and Sale Loan at a total consideration of HK\$760 million (subject to adjustments for the Net Asset Value of the Target Company).

DETAILS OF THE ACCEPTANCE OF TENDER AND THE ACQUISITION

Date of the Acceptance of Tender

6 June 2019

Parties

Vendors : Tsang Yuk Kiu, an individual; and
Wellgan Investment Limited, a company incorporated in Hong Kong

Tenderer and Purchaser : Aristeo Limited, an indirect wholly-owned subsidiary of the Company

Purchaser's Guarantor : The Company has agreed to guarantee the performance of the Purchaser's obligations in accordance with the Formal Agreement as principal obligor and shall join as a party to the Formal Agreement

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Vendors together with the ultimate beneficial owners of Vendor B, are third parties independent of the Company and its connected persons.

Assets to be acquired

The Sale Shares (representing the entire issued share capital of the Target Company) and the Sale Loan.

Information of the Target Company and the Property

The Target Company is a company incorporated in Hong Kong and is the sole registered and beneficial owner of the Property, which is the principal asset of the Target Company. Other than leasing the Property to residential tenants, the Target Company has no other business operation.

The Property is all that piece or parcel of ground in the Land Registry as New Kowloon Inland Lot No.6236 and the building erected thereon now known as "Wellgan Villa", No.148 Nga Tsin Wai Road, Kowloon. Wellgan Villa is a block of 18-storey residential building comprising 24 residential units and 29 carpark spaces. The gross floor area of the Property is approximately 33,000 square feet. The Property is currently being leased to residential tenants and will be sold to the Purchaser on an "as is" basis subject to existing tenancies.

Set out below is the audited financial information for the years ended 30 April 2017 and 2018 of the Target Company based on the information available to the Company:

	For the year ended 30 April 2017 (HK\$)	For the year ended 30 April 2018 (HK\$)
Profit/(loss) before income tax	approximately \$2.28 million	approximately \$4.02 million
Profit/(loss) after income tax	approximately \$1.93 million	approximately \$3.54 million

The audited net asset value of the Target Company as at 30 April 2018 is approximately HK\$525.76 million.

To the best information, knowledge and belief of the Directors, based on the information currently available to the Company, on the basis of current rental rates and assuming there was no change in the rental rates and no change in the current tenancies, the total rental income derived from the Property for the year ended 30 April 2019 would have been approximately HK\$8.9 million with an annual management fee of HK\$2.1 million. The after tax income (assuming a profit tax rate of 16.5% and excluding government rates and other expenses) deriving from the Property would have been approximately HK\$5.68 million.

Consideration and Payment Terms

The consideration for the Sale Shares and the Sale Loan shall be in the sum of HK\$760 million (the "Purchase Price"), which shall be paid in the following manner:

- (i) an initial deposit in a sum of HK\$25,000,000 has been paid by the Purchaser to the Vendors' solicitors as stakeholders upon submission of tender by the Purchaser (the "Initial Deposit");

- (ii) a further deposit of HK\$51,000,000, being equivalent to 10% of the Purchase Price less the Initial Deposit, shall be paid by the Purchaser to the Vendors' solicitors as stakeholders upon execution of the Formal Agreement, which is expected to be signed on or around 18 June 2019 (the "Further Deposit");
- (iii) the balance of the Purchase Price (subject to adjustment in accordance with the Formal Agreement) less the Initial Deposit and the Further Deposit shall be paid by the Purchaser to the Vendors upon Completion; and
- (iv) an amount in respect of the adjustment of the Purchase Price, if any, in accordance with the Formal Agreement shall be paid by the Purchaser or the Vendors (as the case may be) within five Business Days after agreement or determination of the Completion Accounts, which shall be prepared and delivered to the Purchaser by no later than 35 Business Days after the Completion Date (or within such other period as the Vendors and the Purchaser may agree in writing) in accordance with the Formal Agreement.

The Initial Deposit and the Further Deposit will only be released to the Vendors upon Completion.

The Purchase Price is subject to upward or downward adjustment at Completion with reference to the Net Asset Value as at the date of Completion based on the Pro-Forma Completion Accounts of the Target Company, and upward or downward adjustment post-Completion by the difference in the Net Asset Value with reference to the Pro-Forma Completion Accounts and the Completion Accounts of the Target Company.

The Purchase Price was determined by the Purchaser after taking into account the prevailing market price of similar properties in similar locations. The consideration will be funded by the Group's internal resources and/or bank loans.

Completion

Completion shall take place on 5 August 2019 or such other date or time as may be mutually agreed by the Vendors and the Purchaser in writing.

Upon Completion, the Target Company will become wholly-owned by the Purchaser and an indirect wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS DERIVED FROM THE ACQUISITION

The Group is principally engaged in property development and property investment in Hong Kong, mainland China and across the Asia Pacific area. The Property is located in a prime residential district of Hong Kong. The Acquisition can help to enhance and enlarge the property investment portfolio of the Group, hence increasing the rental revenue base and is in line with the Group's business strategy.

The Directors consider that the Acquisition is in the interests of the Company and its shareholders as a whole and the terms thereof are on normal commercial terms and are fair and reasonable.

INFORMATION OF THE COMPANY AND THE PURCHASER

The Company is an investment holding company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange. The Company and its subsidiaries are principally engaged in property development, property investment, property management and related services, hospitality and healthcare services.

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.

INFORMATION OF VENDOR B

Vendor B is a company incorporated in Hong Kong with limited liability and as at the date of this announcement, is one of the two shareholders of the Target Company, holding approximately 0.2% shareholding of the Target Company.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acceptance of Tender”	the letter of the tender acceptance dated 6 June 2019 granted by the Vendors to the Tenderer
“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser through public tender and pursuant to the Formal Agreement
“Business Day”	any day other than a Saturday or Sunday or general holidays under the General Holidays Ordinance (Cap. 149 of the Laws of Hong Kong), on which licensed banks are open for business in Hong Kong, and on which no typhoon signal No. 8 or above and black rainstorm warning signal are hoisted in Hong Kong at any time between the hours of 9 a.m. and 5 p.m.
“Company”	HKR International Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange (Stock Code: 00480)
“Completion”	the completion of the Acquisition pursuant to the Formal Agreement
“Completion Accounts”	the consolidated statement of financial position of the Target Company as at Completion Date prepared, agreed and audited or determined after Completion in accordance with the Formal Agreement

“Completion Date”	5 August 2019 or such other date or time as may be mutually agreed by the Vendors and the Purchaser in writing
“Directors”	the directors of the Company from time to time
“Formal Agreement”	the formal sale and purchase agreement to be entered into by the Purchaser, the Vendors and the Purchaser’s Guarantor in relation to the Acquisition
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Net Asset Value”	the total assets of the Target Company (other than (i) the value of the Property; (ii) furniture and fixture; and (iii) equipment) minus the total liabilities of the Target Company (other than (i) deferred tax liabilities; and (ii) the Sale Loan) as at Completion Date
“Pro-Forma Completion Accounts”	the pro-forma consolidated statement of financial position of the Target Company as at close of business on the Completion Date prepared by the Vendors in accordance with the Formal Agreement on or before five Business Days prior to the Completion Date
“Property”	all that piece or parcel of ground in the Land Registry as New Kowloon Inland Lot No.6236 and the building erected thereon now known as “Wellgan Villa”, No.148 Nga Tsin Wai Road, Kowloon
“Purchaser” or “Tenderer”	Aristeo Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Loan”	the loan owed by the Target Company to Vendor A as at the Completion Date to be shown in the Completion Accounts
“Sale Shares”	500,000 ordinary shares of HK\$1.00 each held by the Vendors, representing the entire issued and fully paid-up share capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Dorro Properties Limited, a company incorporated in Hong Kong which is the sole registered and beneficial owner of the Property
“Vendor A”	Tsang Yuk Kiu, an individual
“Vendor B”	Wellgan Investment Limited, a company incorporated in Hong Kong
“Vendors”	Vendor A and Vendor B

By order of the Board
HKR International Limited
CHA Mou Zing Victor
Deputy Chairman & Managing Director

Hong Kong, 6 June 2019

As at the date of this announcement, the Directors of the Company are:

Chairman

Mr CHA Mou Sing Payson

Deputy Chairman & Managing Director

Mr CHA Mou Zing Victor

Executive Directors

Mr CHUNG Sam Tin Abraham

Mr TANG Moon Wah

Non-executive Directors

The Honourable Ronald Joseph ARCULLI

Mr CHA Mou Daid Johnson

Ms WONG CHA May Lung Madeline

Independent Non-executive Directors

Mr CHEUNG Wing Lam Linus

Mr FAN Hung Ling Henry

Ms HO Pak Ching Loretta

Mr TANG Kwai Chang

** Registered under the predecessor ordinance of the Companies Ordinance, Chapter 622 of the laws of Hong Kong*