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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 DISPOSAL OF PROPERTIES IN JAPAN**

On 15 February 2022, Vendor A and Vendor B, two special purpose vehicles established by the Company in Japan, entered into SPA A and SPA B with the Purchaser for the sale and purchase of i) Property A; and ii) the trust beneficial interest in Property B as the underlying entrusted asset respectively, for a total consideration of JPY3,490,800,000 (including consumption tax on buildings) (approximately HK\$237.4 million) (subject to adjustment upon Completion).

### **LISTING RULES IMPLICATIONS**

Since one of the applicable percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 15 February 2022, Vendor A and Vendor B, two special purpose vehicles established by the Company in Japan, entered into SPA A and SPA B with the Purchaser for the sale and purchase of i) Property A; and ii) the trust beneficial interest in Property B as the underlying entrusted asset respectively, for a total consideration of JPY3,490,800,000 (including consumption tax on buildings) (approximately HK\$237.4 million) (subject to adjustment upon Completion).

## **DETAILS OF THE SPAs**

### **Date of the SPAs**

15 February 2022

### **Parties and Information of the Properties**

**For SPA A**

Vendor : HKRJ Souei Godo Kaisha (“Vendor A”), a special purpose vehicle incorporated in Japan and the registered owner of Property A; and

Purchaser : S721 Co. Ltd

Asset to be disposed : Property A

The interest of the Company in Property A is held under a *tokumei kumiai* (“TK”) arrangement (a common real estate investment structure for foreign investors under Japanese law). Under the TK structure, the Investor is the sole investor responsible for providing all of funding associated with the investment interest in Property A. The legal title to Property A is currently held by Vendor A, which establishment is funded by the Group but is owned and managed independently from Investor, and is responsible for holding, receiving income derived from, managing and dealing with Property A. The relationship between the Investor and Vendor A is governed by the TK Agreement A entered into between them, under which Vendor A is obliged to effect cash distributions to the Investor annually, out of the net rental income arising from its registered and beneficial holding of Property A or, in case of a disposition of Property A, promptly after such disposition. In return, Vendor A is entitled to receive a fixed annual fee for conducting the aforesaid business, including to hold the registered title to Property A, as well as to engage an asset manager to oversee the management of Property A. Based on this TK structure, all the economic interest in Property A belongs to the Investor, and hence to the Company. Property A comprises the land and a 7-storey flat roof residential building, namely Souei Park Harajuku with 22 units located at 4-18, Sendagaya 3-chome, Shibuya-ku, Tokyo.

**For SPA B**

Vendor : HKRJ Veneo Godo Kaisha (“Vendor B”), a special purpose vehicle incorporated in Japan and the beneficiary of the trust beneficial interest in Property B as the underlying entrusted asset; and

Purchaser : S721 Co. Ltd

Asset to be disposed : The trust beneficial interest in Property B as the underlying entrusted asset

The interest of the Company in Property B is held under another TK arrangement. Under this TK structure, the Investor is the sole investor responsible for providing all of the investment funding associated with the trust beneficial interest in Property B as the underlying entrusted asset. The legal title to Property B is currently held by an independent trustee, which is a licensed trust bank in Japan, whereas the beneficial ownership is vested in Vendor B. Vendor B (which establishment is funded by the Group) is owned and managed independently from the Investor and is responsible for holding, receiving income derived from, managing and dealing with Property B. The relationship between the Investor and Vendor B is governed by the TK Agreement B entered into between them, under which Vendor B is obliged to effect cash distributions to the Investor annually, out of the net rental income arising from its beneficial holding of Property B or, in case of a disposition of Property B, promptly after such disposition. In return, Vendor B is entitled to receive a fixed annual fee for conducting the aforesaid business and must engage a licensed trustee to hold the registered title to Property B as well as an asset manager to oversee the management of Property B. Based on this TK structure, all the economic interest in Property B belongs to the Investor, and hence to the Company. Property B comprises the land and a 6-storey flat roof residential building, namely Veneo Minami Azabu with 4 units located at 11-16, Minami-Azabu 4-chome, Minato-ku, Tokyo.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner (with more details as set out below) are third parties independent of the Company and its connected person(s).

## **Completion**

Upon Completion, the legal title of Property A and the trust beneficial interest in Property B as the underlying entrusted asset will be transferred to the Purchaser or its designated party. Completion of the Disposal shall take place on 5 April 2022 or any other date as agreed by the respective Vendors and Purchaser but in any event shall not be later than 30 April 2022. If the transaction under any of the respective SPAs has not been completed by 30 April 2022, respective SPAs will automatically terminate and the respective Vendors must refund the sum received from the Purchaser without interest.

The Properties will be delivered on an "as-is" basis (with Property B through the transfer of trust beneficial interest) on the date of Completion subject to tenancies.

## **Consideration and Payment Terms**

The Consideration of JPY3,490,800,000 (including consumption tax on buildings of JPY70,800,000) (approximately HK\$237.4 million) comprises i) JPY1,806,000,000 (including consumption tax on building of JPY36,000,000) (approximately HK\$122.8 million) as the price for Property A; and ii) JPY1,684,800,000 (including consumption tax on building of JPY34,800,000) (approximately HK\$114.6 million) as the price for the trust beneficial interest in Property B as the underlying entrusted asset. The Consideration was offered by the Purchaser, through its advisor, and accepted by the Company upon making reference to recent sales prices of comparable properties, and shall be satisfied by the Purchaser in the following manner:

### Date of Payment

### Amount payable

On signing of the SPAs

1. JPY88,500,000 (representing 5% of the price for Property A (excluding consumption tax) and being equivalent to approximately HK\$6.0 million), being the deposit paid to Vendor A; and
2. JPY82,500,000 (representing 5% of the price for the trust beneficial interest in Property B as the underlying entrusted asset (excluding consumption tax) and being equivalent to approximately HK\$5.6 million), being the deposit paid to Vendor B.

On Completion

1. JPY1,717,500,000 (equivalent to approximately HK\$116.8 million), being the balance of the price for Property A (including consumption tax) to be paid to Vendor A; and
2. JPY1,602,300,000 (equivalent to approximately HK\$109.0 million), being the balance of the price for the trust beneficial interest in Property B (including consumption tax) as the underlying entrusted asset to be paid to Vendor B.

The balance payment (including consumption tax on buildings) to be paid on the date of Completion by the Purchaser to the respective Vendors is subject to adjustment in relation to the security deposits in respect of the relevant tenancies and any other taxes, expenses and revenues associated with the respective Properties and/or trust beneficial interest.

Any adjustment amount which is not yet fixed as of the date of Completion shall be settled after the Completion separately by payments between the respective Vendors and the Purchaser, promptly after such amount is fixed.

## FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

The unaudited carrying amount of the Properties as included in the unaudited consolidated statement of financial position of the Group as at 30 September 2021 and the expected book gain, after related expenses, including agency commission and transaction cost, as well as related tax in total of approximately JPY94,886,200, from the Disposal are as follows:

Property	Approximate carrying value (in million)	Expected book gain (in million)
Property A	JPY1,390.0 (approximately HK\$94.5)	JPY275.6 (approximately HK\$18.7)
Property B	JPY1,330.0 (approximately HK\$90.4)	JPY217.8 (approximately HK\$14.8)
Total:	JPY2,720.0 (approximately HK\$184.9)	JPY493.4 (approximately HK\$33.5)

It is intended that the net proceeds from the Disposal will be used by the Group for pursuing other investment opportunities in the property market if and when they arise in the future, and for the general working capital of the Group.

The Properties are currently leased out for rental income. The net profit (the annual rental income after taking into account all related disbursements for managing the Properties both before and after taxation and minority interest) attributable to the Properties for the financial year ended 31 March 2021 and 2020 was as follows:

Property	Approximate net profit before tax and minority interest (in million)		Approximate net profit after tax and minority interest (in million)	
	Financial year ended 31 March 2020	Financial year ended 31 March 2021	Financial year ended 31 March 2020	Financial year ended 31 March 2021
Property A	JPY44.1 (approximately HK\$3.0)	JPY47.9 (approximately HK\$3.3)	JPY35.1 (approximately HK\$2.4)	JPY38.1 (approximately HK\$2.6)
Property B	JPY38.0 (approximately HK\$2.6)	JPY39.4 (approximately HK\$2.7)	JPY30.2 (approximately HK\$2.1)	JPY31.3 (approximately HK\$2.1)
Total:	JPY82.1 (approximately HK\$5.6)	JPY87.3 (approximately HK\$6.0)	JPY65.3 (approximately HK\$4.5)	JPY69.4 (approximately HK\$4.7)

## REASONS FOR AND BENEFITS DERIVED FROM THE DISPOSAL

In a market facing uncertainties, including those arising from the impact of the COVID-19 pandemic and any tightening of global monetary supplies, the Directors are of the view that the Disposal represents a good opportunity for the Group to realise its investment in the Properties with an attractive return. The Disposal will increase the working capital of the Group and enhance its cashflow. The

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

## **INFORMATION ON THE COMPANY, THE INVESTOR, THE VENDORS, THE PURCHASER AND THE ULTIMATE BENEFICIAL OWNER OF 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 Group are principally engaged in property development, property investment, transportation services and property management, hotel operations, leisure businesses and healthcare services.

The Investor is an indirect wholly-owned subsidiary of the Company and a limited company incorporated in Hong Kong.

Vendor A is a special purpose vehicle established by the Company in Japan for the purpose of holding Property A for the Company under a TK arrangement.

Vendor B is a special purpose vehicle established by the Company in Japan for the purpose of holding the trust beneficial interest in Property B as the underlying entrusted asset for the Company under a TK arrangement.

To the best of the Directors' knowledge having made all reasonable enquiries, based on the information available to the Company, the Purchaser is a limited company established in Japan whose business includes investment and acquisition of the real estate. The ultimate beneficial owner of the Purchaser is Mr Kentaro Shimamura who is a Japanese business man.

## **LISTING RULES IMPLICATIONS**

Since one of the applicable percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting and announcement 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:

“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”	Completion of the Disposal which shall take place on 5 April 2022 or any other date as agreed by the respective Vendors and the Purchaser but in any event shall not be later than 30 April 2022
“Consideration”	JPY3,490,800,000 (including consumption tax on buildings) (approximately HK\$237.4 million), being the total consideration for the Disposal paid and payable by the Purchaser to the Vendors

“Directors”	the directors of the Company from time to time
“Disposal”	the disposal of the Properties by the Vendors to the Purchaser in accordance with the terms and conditions set out in the SPAs
“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
“Investor”	HKR Properties Limited 香港興業(物業)有限公司, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong which is the sole investor for the investment interests in Property A and the trust beneficial interest in Property B as the underlying entrusted asset
“JPY”	Japanese Yen, the lawful currency of Japan
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Property A”	comprises the land and a 7-storey flat roof residential building, namely Souei Park Harajuki with 22 units located at 4-18, Sendagaya 3-chome, Shibuya-ku, Tokyo
“Property B”	comprises the land and a 6-storey flat roof residential building, namely Veneo Minamiazabu with 4 units located at 11-16, Minami-Azabu 4-chome, Minato-ku, Tokyo
“Properties”	Property A and Property B
“Purchaser”	S721 Co. Ltd., a limited company incorporated in Japan
“SPA A”	the sale and purchase agreement entered into between the Purchaser and Vendor A on 15 February 2022 for the sale and purchase of Property A
“SPA B”	the sale and purchase agreement entered into between the Purchaser and Vendor B on 15 February 2022 for the sale and purchase of the trust beneficial interest in Property B
“SPAs”	SPA A and SPA B
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“TK Agreement A”	an agreement entered into between the Investor, as TK investor, and Vendor A, as the TK operator, on 24 September 2015 in respect of the investment interest in the Property A
“TK Agreement B”	an agreement entered into between the Investor, as TK investor, and Vendor B, as the TK operator, on 21 February 2017 in respect of the trust beneficial interest in Property B as the underlying entrusted asset
“Vendor A”	HKRJ Souei Godo Kaisha, a special purpose vehicle incorporated in Japan and the registered owner of Property A
“Vendor B”	HKRJ Veneo Godo Kaisha, a special purpose vehicle incorporated in Japan and the beneficiary of the trust beneficial interest in Property B as the underlying entrusted asset
“Vendors”	Vendor A and Vendor B

*Unless otherwise specified in this announcement, amounts denominated in Japanese Yen have been converted into HK\$ at the rate of JPY1.00 = HK\$0.068<sup>^</sup>. This rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been converted at the above rate or any other rates.*

By order of the Board  
**HKR International Limited**  
**CHA Mou Zing Victor**  
*Executive Chairman*

Hong Kong, 15 February 2022

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

***Executive Chairman***

Mr CHA Mou Zing Victor

***Non-executive Deputy Chairman***

Ms WONG CHA May Lung Madeline

***Executive Directors***

Mr TANG Moon Wah (*Managing Director*)

Mr CHEUNG Ho Koon

Ms NGAN Man Ying

***Non-executive Directors***

The Honourable Ronald Joseph ARCULLI

Mr CHA Mou Daid Johnson

***Independent Non-executive Directors***

Mr CHEUNG Wing Lam Linus

Mr FAN Hung Ling Henry

Ms HO Pak Ching Loretta

Ms Barbara SHIU

Mr TANG Kwai Chang

<sup>^</sup> Closing exchange rate as at 14 February 2022 obtained from Bloomberg

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