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Milestone Builder Holdings Limited

進階發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1667)

(I) DISCLOSEABLE TRANSACTION (ACQUISITION OF LAND) AND (II) CHANGE IN USE OF PROCEEDS

(I) THE ACQUISITION

Reference is made to the announcement of the Company dated 29 January 2018 in relation to, *inter alia*, the letter of intent in relation to the possible acquisition for the Land in Osaka, Japan and the potential new business development.

On 9 February 2018 (after trading hours), the Vendor and the Purchaser (which is indirectly held as to 70% by the Company) has entered into the Formal Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire for the Land at a Consideration of 220,000,000 Japanese Yen (equivalent to approximately HK\$15,823,000).

As the applicable percentage ratios in respect of the Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

(II) CHANGE IN USE OF PROCEEDS

Reference is made to the Company's Prospectus dated 22 March 2017 relating to the Share Offer and listing of the Company's Shares on the main board of Stock Exchange. The Board of Directors announces that the Company has decided to change the allocation of the use of proceeds from the Share Offer in manner as more particularly set out in this announcement. Unless otherwise defined herein, terms in this announcement shall have the same meaning as defined in the Prospectus.

(I) THE ACQUISITION

Reference is made to the announcement of the Company dated 29 January 2018 in relation to, *inter alia*, the letter of intent in relation to the possible acquisition for the Land in Osaka, Japan and the potential new business development.

The Board is pleased to announce that on 9 February 2018 (after trading hours on the Stock Exchange), the Vendor, a joint-stock corporation (Kabushiki-Kaisha) incorporated in Japan and the Purchaser, Popsible Development Limited, which is indirectly held as to 70% by the Company, has entered into the Formal Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire for the Land located at 1-25, Kitakawahoricho, Tennoji-ku, Osaka, Japan, at a Consideration of 220,000,000 Japanese Yen (equivalent to approximately HK\$15,823,000).

Popsible Development Limited is a joint venture entity indirectly held as to 70% by the Company and 30% by a JV Partner. The JV Partner is a real estate investment and hospitality management company incorporated in Hong Kong and principally engaged in acquiring and developing properties, and operating and managing hotels and guesthouses in Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the JV Partner (including its ultimate beneficial owner) is an Independent Third Party.

Popsible Development Limited was established for the property development business in Japan, which may include, but not limited to, (i) property consolidation, assembly and redevelopments; (ii) property trading and/or investment; and (iii) hospitality management business (the "Property Development Business in Japan"). Pursuant to the Shareholders Agreement entered into among the Company and the JV Partner, the Company and JV Partners are required to contribute from time to time on pro-rata basis according to its shareholding of Popsible Development Limited to the funding required for the Property Development Business in Japan.

DETAILS OF THE FORMAL AGREEMENT AND THE ACQUISITION

Date: 9 February 2018, after trading hours

Parties: (a) Popsible Development Limited, which is indirectly held as to 70% by the Company, being the Purchaser; and
(b) a joint-stock corporation (Kabushiki-Kaisha) incorporated in Japan, being the Vendor

To the best knowledge, information and belief of the directors of the Company, after having made all reasonable enquiries, the Vendor is an Independent Third Party.

Information of the Land

Location: 1–25, Kitakawahoricho, Tennoji-ku, Osaka, Japan

Site area: Approximately 228 square meter

Expected gross floor area: Approximately 1,073 square meter

Area usage: Commercial usage

Consideration and payment terms

The Consideration of the Land is 220,000,000 Japanese Yen (equivalent to approximately HK\$15,823,000).

The initial deposit for the Formal Agreement (which will then form part of the Consideration), being 20,000,000 Japanese Yen (equivalent to approximately HK\$1,439,000), is payable on 9 February 2018.

The balance of the Consideration, being 200,000,000 Japanese Yen (equivalent to approximately HK\$14,384,000) will be payable upon which completion of the Acquisition take place, such completion date will be 18 April 2018.

The Consideration payable on completion of the Acquisition by Popsible Development Limited will be financed by the Company and the JV Partner in accordance to their respective shareholding in Popsible Development Limited. The total commitment for the Acquisition by the Group will be approximately HK\$11,076,000 and the aforesaid amount will be financed by internal resources and the proceeds from the Share Offer, details of which are set out in the section headed “II. Change in use of proceeds” in this announcement.

The Board currently contemplates that the Company will finance the future commitment for developing the Land through a number of means, including debt financing, internal resources or a combination of them. The Company has been in negotiations with certain financial institutions for the feasibility of financial support.

The terms of the Formal Agreement and Shareholders Agreement were determined after arm’s length negotiations between the parties thereto and the Directors are of the view that the terms of the Formal Agreement and Shareholders Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

REASONS FOR THE PROPERTY DEVELOPMENT BUSINESS IN JAPAN

The Board of Directors of the Company considers that the Acquisition provides an attractive opportunity to commence and develop Property Development Business in Japan.

The Board has been actively exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential. The Board considers that the Property Development Business in Japan would allow the Group to leverage on its existing experiences in building construction services as well as alteration, addition, fitting-out works and building services; and partnering with the JV Partner would create synergies for the Property Development Business in Japan with the experiences from the JV Partner on real estate investment and hospitality management perspectives.

Notwithstanding the Group's intention to develop Property Development Business in Japan, the existing principal business of the Group in the provision of (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings in Hong Kong, will continue to be the core business of the Group.

The Board expects that the Property Development Business in Japan will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance.

GENERAL

As the applicable percentage ratios in respect of the Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

(II) CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus dated 22 March 2017 (the "Prospectus") relating to the Share Offer and listing of the Company's shares on the main board of Stock Exchange. The Board of Directors announces that the Company has decided to change the allocation of the use of proceeds from the Share Offer in manner as more particularly set out in this announcement. Unless otherwise defined herein, terms in this announcement shall have the same meaning as defined in the Prospectus.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting the underwriting fees and expenses of the Company in connection with the Share Offer, was approximately HK\$75.9 million. It was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus that it was intended that the net proceeds would be used for the following purposes:

- approximately HK\$36.0 million, representing approximately 47.4% of the Net Proceeds will be used for financing the capital input and upfront costs (including but not limited to construction material costs and subcontracting costs, equipment and tooling expenses, insurance and sundry site expenses) to upcoming projects;
- approximately HK\$13.0 million, representing approximately 17.1% of the Net Proceeds will be used for the purchase of surety bonds;
- approximately HK\$11.4 million, representing approximately 15.0% of the Net Proceeds will be used for increasing the employed capital of the Group for obtaining licenses such as Group B (probation) license of Approved Contractors for Public Works — Buildings Category from the Works Branch Development Bureau and/or the Group M2 license under the maintenance works category of building contractors from the Housing Authority;
- approximately HK\$4.3 million, representing approximately 5.7% of the Net Proceeds will be used for repayment of current bank borrowings of the Group to reduce its future finance cost;
- approximately HK\$3.3 million, representing approximately 4.3% of the Net Proceeds will be used for employing additional staff, such as project managers, site foremen, quantity surveyors, accounting and administration staff, for the expansion of business;
- approximately HK\$0.5 million, representing approximately 0.7% of the Net Proceeds will be used for investing in building information modelling software, which includes upgrading the computer system and software of the Group and to provide necessary training to the staff; and
- approximately HK\$7.4 million or approximately 9.8% of the Net Proceeds will be used as general working capital of the Group.

CHANGE IN USE OF PROCEEDS

Following the Acquisition, the Company intends to reallocate the Net Proceeds for the purchase of surety bonds in full for financing the Property Development Business in Japan. Save for the change in use of proceeds as disclosed above, the Company intends to allocate the remaining Net Proceeds from Share Offer as originally intended.

As at the date of this announcement, the Company utilised approximately HK\$44.9 million of Net Proceeds from the Listing. On 9 February 2018, the Board resolved to change the proposed use of the Net Proceeds from the Listing, and details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds, and the utilisation of the Net Proceeds as at the date of this announcement are set out as follows:

Uses of Net Proceeds	Original allocation <i>HK\$ million</i>	Revised allocation <i>HK\$ million</i>	Utilisation as at the date of this announcement <i>HK\$ million</i>	Remaining balance after revised allocation <i>HK\$ million</i>
Financing the capital input and upfront costs to upcoming projects	36.0	36.0	20.0	16.0
Purchase of surety bonds	13.0	—	—	—
Increasing the employed capital of the Group	11.4	11.4	11.4	—
Repayment of current bank borrowings of the Group	4.3	4.3	4.3	—
Employing additional staff	3.3	3.3	1.8	1.5
Investing in building information modelling software	0.5	0.5	—	0.5
General working capital of the Group	7.4	7.4	7.4	—
Financing the Property Development Business in Japan	—	13.0	—	13.0
	<u>75.9</u>	<u>75.9</u>	<u>44.9</u>	<u>31.0</u>

The Board consider that the Property Development Business in Japan are in line with the Group's development strategy to diversify the existing business of the Group and to explore new markets with significant growth potential. The Board considers that the Property Development Business in Japan would allow the Group to leverage on its existing experiences in building construction services as well as alternation, addition, fitting-out works and building services. The Directors expect that the Property Development Business in Japan will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance.

DEFINITIONS

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

“Acquisition”	the acquisition by the Purchaser from the Vendor who holds the legal and beneficial ownership of the piece of Land
“Board”	the board of Directors
“Company”	Milestone Builder Holdings Limited (stock code: 1667), a company incorporated in the Cayman Island with limited liability, the securities of which are listed on the main board the Stock Exchange
“Consideration”	the consideration for the Acquisition, being 220,000,000 Japanese Yen (equivalent to approximately HK\$15,823,000)
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement in relation to the Acquisition
“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
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Japanese Yen”	Japanese Yen, the lawful currency of Japan
“JV Partner”	Ocean Sky Development Limited, a company incorporated in Hong Kong
“Land”	the land located at 1–25, Kitakawahoricho, Tennoji-ku, Osaka, Japan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of initially 180,000,000 Shares to the investors by the Company under the Share Offer as described in the Prospectus
“Prospectus”	the prospectus of the Company dated 22 March 2017 in connection with the Share Offer
“Public Offer”	the offer of initially 20,000,000 Shares to the public in Hong Kong by the Company under the Share Offer as described in the Prospectus

“Purchaser”	Possible Development Limited, which is indirectly held as to 70% by the Company
“Share Offer”	the Public Offer and the Placing
“Shareholders Agreement”	the shareholders agreement dated 23 January 2018 entered in to between Milestone Builder Investment Limited, a wholly owned subsidiary of the Company, and the JV Partner in respect of the operation of the Purchaser
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	A joint-stock corporation (Kabushiki-Kaisha) incorporated in Japan, an Independent Third Party

By Order of the Board
Leung Kam Fai
Chairman and Executive Director

Hong Kong, 9 February 2018

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Leung Kam Fai and Mr. Lam Ka Ho as executive Directors; Mr. Keung Kwok Hung, Mr. Fong Man Fu Eric and Ms. Lau Suk Han Loretta as independent non-executive Directors.