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INFINITY DEVELOPMENT HOLDINGS COMPANY LIMITED

星謙發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 640)

MAJOR TRANSACTION DISPOSAL OF PROPERTIES

THE DISPOSAL

The Board is pleased to announce that on 25 August 2021 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company entered into the legally binding Provisional Agreement with the Purchasers, pursuant to which the Vendor will sell the respective Properties to the respective Purchasers at an aggregate consideration of HK\$93,000,000.

THE PROPOSED TENANCY AGREEMENT

It is agreed that upon Completion, the Vendor will enter into the proposed Tenancy Agreement for a period of 3 years with the relevant Purchasers for the renting of the Leaseback Premises. The total annual rent for the Leaseback Premises are expected to be approximately HK\$1,265,000 for each of the first two years, and will have a 6% increment for the third year. With such arrangement, the Group's head office and principal place of business in Macau will remain unchanged.

LISTING RULES IMPLICATIONS

The Disposal

As one or more of the applicable percentage ratios for the Disposal exceeds 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and therefore is subject to the reporting, announcement, Circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, as at the date of this announcement, no Shareholders or any of their respective associates have any material interest in the Disposal. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Disposal if the Company was to convene an extraordinary general meeting to approve the Disposal.

Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting. The Company has obtained the written approval from Mr. Jeong and All Reach Investments Limited (a company wholly-owned by Mr. Jeong), which together are beneficially interested in an aggregate of 421,318,769 Shares, representing approximately 74.79% of the total number of issued Shares as at the date of this announcement, to approve the Disposal. Of the 421,318,769 Shares, 78,818,769 Shares are beneficially owned by Mr. Jeong and 342,500,000 Shares are beneficially owned by All Reach Investments Limited, representing approximately 13.99% and approximately 60.80% respectively of the total number of issued Shares as at the date of this announcement. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Disposal.

The Circular containing, amongst other information, (i) further details of the Disposal, and (ii) other information required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 15 September 2021, in accordance with the Listing Rules.

The Proposed Tenancy Agreement

In accordance with HKFRS 16, the Group will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments on its consolidated statement of financial position in connection with the lease of the Leaseback Premises. Accordingly, the entering into of the proposed Tenancy Agreement, if materialised, will be regarded as an acquisition of capital asset by the Company under the Listing Rules.

As all of the applicable percentage ratios for the proposed Tenancy Agreement, based on the existing proposed terms, are less than 5%, the entering into of the proposed Tenancy Agreement will not constitute a notifiable transaction for the Company under the Listing Rules. In the event that there is any change to the terms or the actual percentage ratios when the proposed Tenancy Agreement is entered into, the Company will assess the size of such transaction again and re-comply with the relevant Listing Rules requirements, if applicable.

The Board is pleased to announce that on 25 August 2021 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company entered into the legally binding Provisional Agreement with the Purchasers, pursuant to which the Vendor will sell the respective Properties to the respective Purchasers at an aggregate consideration of HK\$93,000,000.

THE PROVISIONAL AGREEMENT

Date: 25 August 2021

- Parties:
- (i) Iao Son Hong Paint Company Limited, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of the Company, as the Vendor; and
 - (ii) The Purchasers, represented by their sole director, Ms. Chow Sui Fong, Vicky:
 - (a) Sap Pat Fat Company Limited
 - (b) Sap Kao Fat Company Limited
 - (c) I Sap Fat Company Limited
 - (d) I Sap Iat Fat Company Limited
 - (e) I Sap I Fat Company Limited
 - (f) I Sap Sam Fat Company Limited
 - (g) I Sap Ng Fat Company Limited
 - (h) I Sap Lok Fat Company Limited
 - (i) I Sap Chat Fat Company Limited
 - (j) I Sap Pat Fat Company Limited
 - (k) I Sap Kao Fat Company Limited
 - (l) Sam Sap Fat Company Limited
 - (m) Sam Sap Iat Fat Company Limited
 - (n) Sam Sap I Fat Company Limited

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, each of the Purchasers is a company incorporated in Macau with limited liability, and all the Purchasers are ultimately wholly and beneficially owned by Ms. Lu Ka Hei, Jessica, and each of the Purchasers, their ultimate beneficial owner, Ms. Lu, and Ms. Chow Sui Fong, Vicky is a third party independent of the Company and its connected persons.

Subject matter

Pursuant to the Provisional Agreement, the Vendor will sell and the respective Purchasers will purchase the respective Properties upon the terms contained therein. The Properties will be sold on “as is” basis.

The Consideration

The aggregate consideration is HK\$93,000,000, which is payable by the Purchasers to the Vendor in cash in accordance with the terms of the Provisional Agreement.

The Consideration was determined after arm’s length negotiation between the Vendor and the Purchasers with reference to the prevailing market price of properties of similar size and quality at nearby location and the valuation of the Properties as at 30 June 2021, and adjusted after taking into account that the Purchasers are purchasing all the Properties in bulk without vacant delivery, the fact that the bulk purchase in the property market in Macau is not frequent, and the recent and persistent pressure on the economic environment. Only certain units of the Properties are vacant while the remaining of the Properties are either currently occupied with continuing leases or occupied by the Group and no vacant possession would be delivered upon Completion.

Taking into account the abovementioned, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Terms of Payment

The Consideration is payable as follows:

- (a) an earnest money of HK\$3,000,000 (“**Earnest Money**”) has been paid by the Purchasers to the Vendor upon the signing of the Provisional Agreement;
- (b) a further deposit of HK\$6,300,000, which together with the Earnest Money representing 10% of the Consideration, will be paid by the Purchasers on the date of despatch of the Circular, at which time the parties shall also execute the Formal Transfer Agreement; and
- (c) the balance of the Consideration of HK\$83,700,000 in aggregate will be paid by the Purchasers upon Completion.

Pursuant to the Provisional Agreement, and in accordance with common practice for property transaction in Macau, in the event that the conditions precedent set out in the Provisional Agreement are fulfilled but the Vendor refuses to complete the Disposal, the Vendor shall refund the Earnest Money and deposit received and pay an additional equivalent amount to the Purchasers as compensation; in the event that the conditions precedent are fulfilled but the Purchasers refuse to complete the Disposal, the Vendor shall be entitled to forfeit all the Earnest Money and deposit received.

Completion

Completion is conditional upon (i) the obtaining of the Shareholders' approval at an extraordinary general meeting of the Company to approve the Disposal and the transactions contemplated thereunder pursuant to the Listing Rules, or obtaining of the written Shareholders' approval in lieu of an extraordinary general meeting of the Company pursuant to Rule 14.44 of the Listing Rules, and (ii) the obtaining of the Stock Exchange's confirmation that it has no further comments on the Circular.

If the foregoing conditions precedent are not fulfilled by 31 October 2021 (or such other date as the parties may agree), the Provisional Agreement shall lapse whereupon the Vendor shall return the Earnest Money paid by the Purchasers under the Provisional Agreement to the Purchasers forthwith.

Subject to fulfilment of the above conditions precedent, Completion shall take place within 90 days from the date of despatch of the Circular.

Completion of the disposal of all the Properties shall take place simultaneously. In the event the transfer of any of the Properties is not completed, the disposal of all the Properties shall lapse.

Information of the Properties

The Properties consist of a total of 14 units all located on the 16th Floor of Macau Finance Centre, No. 202A-246 Rua de Pequim, Macau, for commercial use.

Units A to D thereof were occupied by the Group as its head office and principal place of business in Macau while units M to N and a portion of unit L were also occupied by the Group as at the date of this announcement. These units were classified as property, plant and equipment (the "**Fixed Assets**") in the consolidated statement of financial position of the Group which are stated at costs, less subsequent accumulated depreciation and subsequent impairment losses, if any. The remaining units were either currently leased out by the Group to independent third parties or being vacant as at the date of this announcement. These units were classified as investment properties (the "**Investment Properties**") in the consolidated statement of financial position of the Group which are stated at fair value.

The gross rental income of the Group generated from the Investment Properties for the financial year ended 30 September 2020 and for the six months ended 31 March 2021 was approximately HK\$1,561,000 and approximately HK\$785,000, respectively.

REASONS FOR THE DISPOSAL

The Properties were acquired by the Group in 2002 and 2003. Since then the property market in Macau has grown and the value of the Properties have increased significantly over the past years. Taking into account the recent economic performance and the uncertainty brought by the prevalence of Coronavirus Disease 2019 (“COVID-19”) as well as the prolonged trade dispute between China and the United States of America, the Board expects that there will be a downward trend in the overall property values and rental values in Macau; on the other hand, since the customers of the Group are mainly located in South East Asia region, the Group is actively considering to set up a business hub in other region in the Southeast Asia to enhance the operating efficiency of its production base facilities and grasp any development opportunities to better serve its customers and further solidify its core business, which the Board considers that would bring long term benefits to the business and performance of the Group, and to create and maximise the Shareholders’ value in the long term. As such, the Board is of the opinion that the Disposal provides a good opportunity for the Group to realise the Properties overall at a gain and the net proceeds from the Disposal will be applied towards the general working capital of the Group during the difficult time brought by COVID-19, and provide immediate funds for the Group’s further development.

Moreover, under the persistent impact of the COVID-19, the Group has remained prudent and monitored its working capital management closely. Recently, the Group has drawn down certain bank loans for general working capital purposes. The net proceeds from the Disposal could be used partly for the repayment of such bank loans to improve the financial position and gearing ratio of the Group.

Having considered that the Properties is not essential for the Group’s core business, the Disposal will not have a material adverse effect on the Group’s operations.

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

INFORMATION OF THE VENDOR, THE COMPANY AND THE GROUP

The Vendor is an indirect wholly-owned subsidiary of the Company.

The Group is principally engaged in the manufacturing and selling of adhesives, primers, hardeners and vulcanized shoes adhesive related products used by the footwear manufacturers.

INFORMATION OF THE PURCHASERS

Each of the Purchasers is a company incorporated in Macau with limited liability and all the Purchasers are ultimately wholly and beneficially owned by Ms. Lu Ka Hei, Jessica, and to the best of the information, knowledge and belief of the Directors, Ms. Lu is an investor in Macau’s property market and each of the Purchasers, their ultimate beneficial owner, Ms. Lu and their sole director, Ms. Chow Sui Fong, Vicky, is a third party independent of the Company and its connected persons.

PROPOSED LEASING ARRANGEMENT OF CERTAIN PROPERTIES UPON COMPLETION

It is agreed that upon Completion, the Vendor will enter into the proposed Tenancy Agreement for a period of 3 years with the relevant Purchasers for the renting of the Leaseback Premises. With such arrangement, the Group's head office and principal place of business in Macau will remain unchanged.

The proposed major terms of the proposed Tenancy Agreement are as follows:

Lessors:	the relevant Purchasers of the Leaseback Premises
Lessee:	the Vendor
Premises:	units A to D and M to N of the Properties
Rental:	a total of approximately HK\$1,265,000 per annum for the first two years, and a 6% increment for the third year

The proposed rental was determined with reference to the prevailing market rent of properties of similar size and quality at nearby location, and taking into account the fact that the Group could save relocation costs in the event that the Group has to look for new office premises on an urgent basis.

GAIN OR LOSS ATTRIBUTABLE TO THE DISPOSAL

The carrying value of the Fixed Assets and the Investment Properties, as shown in the unaudited consolidated statement of financial position of the Group as at 31 May 2021 was approximately HK\$2,396,000 and approximately HK\$68,700,000, respectively.

Due to the proposed leasing arrangement as mentioned above, it will constitute a sale and leaseback transaction. With reference to Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16"), the estimated gain on rights transferred arising from the sale and leaseback transaction as at the date of Completion would not be less than HK\$32,500,000. The actual unaudited gain on rights transferred arising from the sale and leaseback transaction as at the date of Completion will be calculated in accordance with HKFRS 16.

With reference to Hong Kong Accounting Standard 40 "Investment Property" ("HKAS 40"), the estimated fair value loss on the Investment Properties as at the date of this announcement and estimated loss on disposal of the Investment Properties as at the date of Completion would be approximately HK\$9,597,000 and approximately HK\$4,732,000, respectively. The actual unaudited fair value loss on the Investment Properties as at the date of this announcement and loss on disposal of the Investment Properties as at the date of Completion will be calculated in accordance with HKAS 40.

If the Disposal could be completed on or before the financial year ending 30 September 2021, the Group will record all of the abovementioned estimated gains and losses for the financial year ending 30 September 2021. It is expected that the Group will record an estimated net gain on the Disposal, comprising the estimated gain on rights transferred arising from the sale and leaseback transaction as at the date of Completion, the estimated fair value loss on the Investment Properties as at the date of this announcement and the estimated loss on disposal of the Investment Properties as at the date of Completion, with an amount not less than HK\$18,171,000.

If the Disposal could not be completed on or before the financial year ending 30 September 2021, with reference to Hong Kong Financial Reporting Standard 5 “Non-current Assets Held for Sale and Discontinued Operations”, both the Fixed Assets and the Investment Properties will be reclassified as non-current assets held for sale before Completion. Under this accounting treatment, the profit or loss impact would be as follows:

- (i) for the financial year ending 30 September 2021, the Group will record the estimated fair value loss on the Investment Properties of approximately HK\$14,329,000, representing the aggregate of the estimated fair value loss on the Investment Properties as at the date of this announcement and the estimated loss on disposal of the Investment Properties as at the date of Completion; and
- (ii) for the financial year ending 30 September 2022, the Group will record the estimated gain on rights transferred arising from the sale and leaseback transaction with an amount not less than HK\$32,500,000 as at the date of Completion.

Having taken into account of the net proceeds from the Disposal and the total assets of the Group as at the date of this announcement, it is anticipated that, except for (i) the estimated net gain on the Disposal with an amount not less than HK\$18,171,000 to be impact on the consolidated statement of profit or loss for the financial year ending 30 September 2021 if the Disposal could be completed on or before the financial year ending 30 September 2021; (ii) the estimated fair value loss on the Investment Properties of approximately HK\$14,329,000 to be impact on the consolidated statement of profit or loss for the financial year ending 30 September 2021 if the Disposal could not be completed on or before the financial year ending 30 September 2021; and (iii) the estimated gain on rights transferred arising from the sale and leaseback transaction with an amount not less than HK\$32,500,000 to be impact on the consolidated statement of profit or loss for the financial year ending 30 September 2022 if the Disposal could not be completed on or before the financial year ending 30 September 2021, which are all non-cash items, the Disposal would not have any significant impact on the overall financial position of the Group.

All of the abovementioned actual unaudited gains or losses arising from the Disposal will be subject to the final audit for the financial year ending 30 September 2021 and 30 September 2022 upon Completion.

USE OF PROCEEDS OF THE DISPOSAL

It is estimated that the net proceeds from the Disposal (after deduction of agency fees, legal and professional fees, related tax expenses and ancillary expenses) would be approximately HK\$81,900,000. The Company will apply the net proceeds from the Disposal as general working capital of the Group to enhance the robustness of the Group's operations.

LISTING RULES IMPLICATIONS

The Disposal

As one or more of the applicable percentage ratios for the Disposal exceeds 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and therefore is subject to the reporting, announcement, Circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, as at the date of this announcement, no Shareholders or any of their respective associates have any material interest in the Disposal. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Disposal if the Company was to convene an extraordinary general meeting to approve the Disposal.

Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting. The Company has obtained the written approval from Mr. Jeong and All Reach Investments Limited (a company wholly-owned by Mr. Jeong), which together are beneficially interested in an aggregate of 421,318,769 Shares, representing approximately 74.79% of the total number of issued Shares as at the date of this announcement, to approve the Disposal. Of the 421,318,769 Shares, 78,818,769 Shares are beneficially owned by Mr. Jeong and 342,500,000 Shares are beneficially owned by All Reach Investments Limited, representing approximately 13.99% and approximately 60.80% respectively of the total number of issued Shares as at the date of this announcement. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Disposal.

The Circular containing, amongst other information, (i) further details of the Disposal, and (ii) other information required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 15 September 2021, in accordance with the Listing Rules.

The Proposed Tenancy Agreement

In accordance with HKFRS 16, the Group will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments on its consolidated statement of financial position in connection with the lease of the Leaseback Premises. Accordingly, the entering into of the proposed Tenancy Agreement, if materialised, will be regarded as an acquisition of capital asset by the Company under the Listing Rules.

As all of the applicable percentage ratios for the proposed Tenancy Agreement, based on the existing proposed terms, are less than 5%, the entering into of the proposed Tenancy Agreement will not constitute a notifiable transaction for the Company under the Listing Rules. In the event that there is any change to the terms or the actual percentage ratios when the proposed Tenancy Agreement is entered into, the Company will assess the size of such transaction again and re-comply with the relevant Listing Rules requirements, if applicable.

DEFINITIONS

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

“Board”	the board of Directors;
“China”	the People’s Republic of China;
“Circular”	a circular to be despatched by the Company to its Shareholders in relation to the Disposal in accordance with the requirements of the Listing Rules;
“Company”	Infinity Development Holdings Company Limited (stock code: 640), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Provisional Agreement;
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“Consideration”	HK\$93,000,000, being the aggregate consideration for the Disposal;
“Director(s)”	the director(s) of the Company from time to time;
“Disposal”	the disposal of the Properties by the Vendor to the Purchasers pursuant to the terms and conditions of the Provisional Agreement;

“Formal Transfer Agreement”	such agreement or documentation to be executed by the Vendor and the Purchasers (or their nominees) for the compliance of the sale and purchase of the Properties in Macau;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of China;
“Leaseback Premises”	units A to D of the Properties, which are currently being used by the Group as its head office and principal place of business in Macau, and units M to N, which are also currently being occupied by the Group;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macao Special Administrative Region of China;
“Mr. Jeong”	Mr. Jeong Un, the controlling Shareholder (as defined in the Listing Rules) of the Company, an executive Director, chief executive officer and the chairman of the Board;
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules;
“Properties”	Units A–N, a total of 14 commercial units located on the 16th Floor of Macau Finance Centre, No. 202A–246 Rua de Pequim, Macau;
“Provisional Agreement”	the provisional sale and purchase agreement for the sale and purchase of the Properties dated 25 August 2021 and entered into between the Vendor and the Purchasers;
“Purchasers”	the purchasers of the Properties, as detailed in the section headed “Information of the Purchasers” in this announcement;
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of the issued Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Agreement”	tenancy agreement to be entered into between the Vendor as lessee and the relevant Purchasers as the owners of the Leaseback Premises as the lessors upon Completion in relation to the renting of the Leaseback Premises;

“Vendor” Iao Son Hong Paint Company Limited, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of the Company; and

“%” per cent.

By Order of the Board
Infinity Development Holdings Company Limited
Ip Ka Lun
Executive Director

Hong Kong, 25 August 2021

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Jeong Un, Mr. Ip Chin Wing, Mr. Ip Ka Lun and Mr. Stephen Graham Prince; and three independent non-executive Directors, namely Mr. Chan Wing Yau George, Mr. Simon Luk and Mr. Tong Hing Wah.