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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)

DISCLOSEABLE AND EXEMPTED CONNECTED TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE DISPOSAL

On 28 February 2019 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, under which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share at the Consideration of HK\$15,000,000.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the entering into of the Disposal Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Purchaser is the corporate representative and the general manager of one of the subsidiaries of the Target Company (who performs duties comparable to a chief executive at the relevant subsidiary). Therefore, the Purchaser is deemed to be a connected person of the Company at the subsidiary level. As such, the entering into of the Disposal Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

None of the Directors had any material interest in the Disposal, and therefore none of them was required to abstain from voting for the relevant Board resolutions to approve the Disposal Agreement and the transaction contemplated thereunder.

As (i) the Purchaser is deemed to be a connected person at the subsidiary level only; (ii) the Board has approved the Disposal Agreement and the transaction contemplated thereunder; and (iii) the Board considers that the terms of the Disposal Agreement are fair and reasonable and has been entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

THE DISPOSAL

On 28 February 2019 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, under which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share at the Consideration of HK\$15,000,000.

THE DISPOSAL AGREEMENT

Date

28 February 2019

Parties

- (1) Vendor: Keen Castle Limited, a direct wholly-owned subsidiary of the Company
- (2) Purchaser: Mr. Xiao

Assets to be disposed of

The Sale Share, representing the entire issued share capital of the Target Company.

Consideration

The Consideration for the sale and purchase of the Sale Share is HK\$15,000,000, which shall be settled by cash in full immediately upon Completion.

The Consideration was arrived based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor and was determined with reference to, among others, (i) the unaudited consolidated net assets value of the Target Group of approximately HK\$9,900,000 as at 31 December 2018; (ii) the loss-making position of the Target Group for the two years ended 30 September 2018; and (iii) the reasons for and benefits of the Disposal as stated under the section headed "Reasons for and benefits of the Disposal" in this announcement.

In view of the above, the Board considers that the Consideration of HK\$15,000,000 is fair and reasonable.

Conditions precedent

Completion is subject to the fulfillment of the following conditions:

- (1) the Vendor having obtained all necessary consents and approvals in respect of the Disposal Agreement and sale of the Sale Share; and
- (2) all necessary exemptions, consents, approvals, licenses, authorizations, permits, orders and waivers (if necessary) in respect of the Disposal and the transaction contemplated thereunder from the relevant government or regulatory authorities or other third parties.

None of the abovementioned conditions precedent can be waived. If any of the above conditions have not been fulfilled within 30 days from the date of the Disposal Agreement, the Disposal Agreement shall terminate and cease to have any force and effect (save and except the surviving clauses).

Completion

Completion shall take place within three Business Days upon the fulfillment (or waiver) of all conditions precedent.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI with limited liability which was wholly-owned by the Vendor immediately prior to Completion. The Target Group is principally engaged in the trading and acting as the sales agent for adhesive used in the production of electronic products. The Target Group was acquired by the Group following the completion of the transaction on 22 March 2013. For details of such acquisition, the Shareholders could refer to the circular of the Company dated 10 December 2012.

Set out below is a summary of the key financial data of the Target Group for the two years ended 30 September 2018 based on the unaudited consolidated management accounts of the Target Group:

	Year ended 30 September 2018 (unaudited) <i>HK\$'000</i>	Year ended 30 September 2017 (unaudited) <i>HK\$'000</i>
Revenue	101,219	39,456
Loss before taxation	(3,383)	(1,868)
Loss after taxation	(5,420)	(2,517)

According to the latest unaudited consolidated management accounts of the Target Group, the unaudited consolidated net assets value of Target Group was approximately of HK\$9,900,000 as at 31 December 2018.

INFORMATION OF THE PURCHASER

As at the date of this announcement, the Purchaser is the corporate representative and general manager of one of the subsidiaries of the Target Company (who performs duties comparable to a chief executive at the relevant subsidiary). Therefore, the Purchaser is deemed to be a connected person of the Company at the subsidiary level.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

It is expected that the Group will record an unaudited gain on the Disposal of approximately HK\$2,000,000 upon Completion, which is calculated with reference to the sales proceeds from the Consideration of HK\$15,000,000 and the aggregate of (i) the unaudited consolidated net assets value of the Target Group of approximately HK\$9,900,000 as at 31 December 2018; (ii) the transaction costs, taxes and expenses in relation to the Disposal; and (iii) the cumulative amount of exchange differences relating to the Target Group as at 31 December 2018. The actual amount of the gain on the Disposal will be subject to the final audit for the year ending 30 September 2019 upon Completion.

The Company intends to apply the net proceeds from the Disposal as general working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the manufacturing and sales of adhesives, primers, hardeners and vulcanized shoes adhesive related products used by the footwear manufacturers; and trading and acting as the sales agent for adhesive used in the production of electronic products. The revenue of the Group is mainly generated from the sales of vulcanized shoes adhesive related products and other shoe adhesives.

As stated in the annual report of the Company for the year ended 30 September 2018, in view of a series of uncertainties in the global economy, it is the strategy of the Group to ensure continuous, rapid and effective business and operation development by focusing on the improvement of its operational efficiency and core competitiveness. The Group would also monitor the latest development in the global economy and core business of the Group and adjust its business strategies from time to time if required.

The Target Group is principally engaged in trading and acting as the sales agent for adhesive used in the production of electronic products. In view of the gloomy economic outlooks from the trade war between the United States and the PRC and the anticipated downturn of the economy of the PRC, the Manufacturing Purchasing Managers Index of the PRC reached the three-year low at 49.5 in January 2019. Moreover, the potential increase in the interest rate, the oil price volatility are expected to be the main risks inherent to the global economy in 2019 and potential tariff could be imposed on the trading products of the Target Group from the trade tension between the United States and the PRC. These uncertainties will undoubtedly increase the overall operational risks of the market players and cast doubt on the business prospects of the Target Group which has narrow gross profit margin and requires significant amounts of funds to run the business.

Although the Target Group recorded an increase in revenue for the year ended 30 September 2018 by approximately HK\$61,763,000, the Target Group was in loss-making for the two years ended 30 September 2018 due to the continuous lowering and narrowing of gross profit margin. Moreover, increasing amount of funds tied up in working capital of the Target Group keeps on lowering the efficiency on the working capital management and the operation of the Group. The business risk of the Target Group is further aggravated by the uncertain global business and economic environment.

Given that the Consideration is at premium as compared to the unaudited consolidated net assets value of the Target Group as at 31 December 2018, and taken into account the abovementioned factors, the Board believes that the Disposal represented a good opportunity for the Group to realise the investment for proper deployment of management and financial resources of the Group without materially affecting the core business of the Group. Taken into account the abovementioned factors, the Board considers that the terms of the Disposal Agreement are fair and reasonable, and has been entered into on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Discloseable Transaction

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the entering into of the Disposal Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Exempted Connected Transaction

As at the date of this announcement, the Purchaser is the corporate representative and the general manager of one of the subsidiaries of the Target Company (who performs duties comparable to a chief executive at the relevant subsidiary). Therefore, the Purchaser is deemed to be a connected person of the Company at the subsidiary level. As such, the entering into of the Disposal Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

None of the Directors had any material interest in the Disposal, and therefore none of them was required to abstain from voting for the relevant Board resolutions to approve the Disposal Agreement and the transaction contemplated thereunder.

As (i) the Purchaser is deemed to be a connected person at the subsidiary level only; (ii) the Board has approved the Disposal Agreement and the transaction contemplated thereunder; and (iii) the Board (including all the independent non-executive Directors) considers that the terms of the Disposal Agreement are fair and reasonable and has been entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors;
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
“BVI”	the British Virgin Islands;

“Company”	Infinity Development Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms and conditions of the Disposal Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration for the Disposal;
“Director(s)”	the director(s) of the Company (including independent non-executive directors);
“Disposal”	the disposal of the Sale Share by the Vendor to the Purchaser pursuant to the Disposal Agreement;
“Disposal Agreement”	the sale and purchase agreement dated 28 February 2019 entered into between the Vendor and the Purchaser in respect of the Disposal;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	The People’s Republic of China;
“Purchaser” or “Mr. Xiao”	Mr. Xiao Xiongzhi (肖雄志), being the corporate representative and the general manager of one of the subsidiaries of the Target Company (who performs duties comparable to a chief executive at the relevant subsidiary) as at the date of this announcement;
“Sale Share”	being one issued share in the capital of the Target Company, representing the entire issued share capital of the Target Company;
“Share(s)”	ordinary share(s) in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Target Company”	Rank Best Investments Limited, a company incorporated in the BVI whose entire issued share capital is wholly-owned by the Vendor immediately prior to Completion;
“Target Group”	the Target Company and its subsidiaries;
“Vendor”	Keen Castle Limited, a company incorporated in the BVI with limited liability, being a direct 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, 28 February 2019

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.