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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Star Properties Group (Cayman Islands) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**Star Properties Group (Cayman Islands) Limited**  
**星星地產集團(開曼群島)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1560)**

**(1) VERY SUBSTANTIAL DISPOSAL  
RELATING TO THE DISPOSAL OF  
THE SALE SHARE OF THE TARGET COMPANY AND  
THE SHAREHOLDER'S LOAN**

**AND**

**(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A letter from the Board is set out on pages 5 to 16 of this circular.

A notice convening the EGM of Star Properties Group (Cayman Islands) Limited to be held at 11:00 a.m. on 17 July 2020 at 11/F, TG Place, No. 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case maybe). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

28 May 2020

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS .....</b>	<b>1</b>
<b>LETTER FROM THE BOARD .....</b>	<b>5</b>
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP .....</b>	<b>I-1</b>
<b>APPENDIX II – FINANCIAL INFORMATION OF THE TARGET COMPANY .....</b>	<b>II-1</b>
<b>APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP .....</b>	<b>III-1</b>
<b>APPENDIX IV – PROPERTY VALUATION REPORT .....</b>	<b>IV-1</b>
<b>APPENDIX V – GENERAL INFORMATION .....</b>	<b>V-1</b>
<b>NOTICE OF EGM .....</b>	<b>EGM-1</b>

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## DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 31 December 2019 entered into by the Purchaser, the Vendor and the Company in relation to the Disposal
“Announcements”	the announcement of the Company dated 31 December 2019 and the announcement of the Company dated 28 February 2020 in relation to the Disposal
“Assignment of Shareholder’s Loan”	the assignment of shareholder loan dated 9 January 2019 and entered into among the Vendor, the Purchaser and the Target Company in relation to the assignment of a loan in the amount of HK\$573,362,082 owed by the Target Company to the Vendor by the Vendor to the Purchaser
“Balance of Purchase Price”	has the meaning ascribed to it under the section headed “Purchase Price” of this circular
“Board”	the board of the Directors
“BVI”	British Virgin Islands
“Company”	Star Properties Group (Cayman Islands) Limited, a company incorporated in the Cayman islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 1560)
“Completion”	completion of the sale and purchase of the Sale Share and the Shareholder’s Loan
“Completion Accounts”	the audited financial statements of the Target Company for the period from 1 January 2019 to 31 December 2019 and for the period from 1 January 2020 up to Completion prepared and audited by practicing certified public accountants
“Completion Date”	means 9 January 2020
“Condition Precedent”	the condition precedent to the Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Director(s)”	director(s) of the Company
“Disposal”	the sale of the Sale Share and the Shareholder’s Loan by the Vendor to the Purchaser
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approve and ratify, among other things, the Agreement and transactions contemplated thereunder
“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 People’s Republic of China
“Hong Kong Government”	the Government of the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	the International Financial Reporting Standards
“IFRS Interpretations Committee”	the interpretative body of the International Accounting Standards Board
“IFRS Interpretations Committee Meeting”	the meeting of the IFRS Interpretations Committee held in June 2019
“Initial Deposit”	the sum of HK\$98,000,000, being part of the Purchase Price
“Listing”	the listing of the Shares on the main board of the Stock Exchange
“Latest Practicable Date”	27 May 2020, being the latest practicable date to ascertain certain information contained herein before the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Net Asset Value”	<p>means an amount equal to:</p> <ul style="list-style-type: none"><li>(i) the aggregate of all current tangible assets of the Target Company which are readily convertible into cash or cash equivalents as shown in the Completion Accounts including subsisting utilities and other miscellaneous deposits, prepaid rates and government rent, and building management fee relating to the Property (up to and inclusive of the Completion Date) but excluding the value of the Property, intangible assets, other fixed assets, prepaid insurance premium, unused tax deduction, unclaimed tax allowance and any deferred tax assets; less</li><li>(ii) the aggregate of all liabilities (actual, contingent or otherwise) (including all losses, expenses and damages for remedying or compensating against the due diligence problem(s) identified as contemplated under the relevant clause of the Agreement and the outstanding liabilities of the Target Company under the Contracts, but excluding the Shareholder’s Loan and any deferred liabilities) and provisions of the Target Company as at the Completion Date,</li></ul> <p>in each case, to be determined with reference to the Completion Accounts.</p>
“Property”	ALL THAT piece or parcel of ground registered in the Land Registry as SECTION A OF LOT NO.303 in DEMARCATION DISTRICT NO.355 together with messuages, erections and buildings (if any) thereon
“Purchase Price”	HK\$980,000,000 (subject to the adjustment), being the aggregate consideration payable by the Purchaser to the Vendor for the Sale Share and Shareholder’s Loan
“Purchaser”	1 Plus 13 Investment Company Limited, a company incorporated in Hong Kong with limited liability
“Redemption Amount”	has the meaning ascribed to it under the section headed “Purchase Price” in this circular
“Remaining Group”	the Group upon completion of the Disposal
“Sale Share”	one ordinary share of the Target Company, being the entire issued share capital of the Target Company

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## DEFINITIONS

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“SCB”	The Shanghai Commercial Bank Limited
“Security Deposit”	has the meaning ascribed to it under the section headed “Purchase Price” in this circular
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s) “	ordinary shares in the share capital of the Company
“Shareholders”	holders of the Shares
“Shareholder’s Loan”	all such sum of money advanced by way of loan by the Vendor to the Target Company and due and owing by the Target Company to the vendor as at Completion
“Stakeholder”	has the meaning ascribed to it under the section headed “Purchase Price” of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Rainbow Red Holdings Limited 虹彩控股有限公司, a company incorporated in Hong Kong
“Vendor”	Inventive Rainbow Limited, a company incorporated in the BVI, which is an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“working day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are open for general business in Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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**Star Properties Group (Cayman Islands) Limited**

**星星地產集團(開曼群島)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1560)**

*Executive Directors:*

Mr. Chan Man Fai Joe (*Chairman*)  
Ms. Cheung Wai Shuen  
Mr. Liu Hon Wai  
Prof. Pong Kam Keung

*Non-executive Director:*

Mr. Yim Kwok Man

*Independent Non-executive Directors:*

Ms. Chan Wah Man Carman  
Mr. Lee Chung Ming Eric  
Dr. Wong Wai Kong

*Registered Office:*

Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Head Office and Principal*

*Place of Business:*

11/F, TG Place,  
No. 10 Shing Yip Street,  
Kwun Tong, Kowloon,  
Hong Kong

28 May 2020

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL  
RELATING TO THE DISPOSAL OF  
THE SALE SHARE OF THE TARGET COMPANY AND  
THE SHAREHOLDER'S LOAN**

**AND**

**(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the Announcements in relation to the Disposal of the Sale Share, representing the entire issued share capital of the Target Company, and the Shareholder's Loan.

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## LETTER FROM THE BOARD

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On 31 December 2019, the Purchaser, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Company (as the guarantor) entered into the Agreement, pursuant to which (i) the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target Company, and the Shareholder's Loan at the Purchase Price of HK\$980,000,000 (subject to adjustment); and (ii) the Company agreed to guarantee and procure the performance of all obligations of the Vendor under the Agreement.

### 2. THE AGREEMENT

Date: 31 December 2019

Parties: (i) the Purchaser (as purchaser);  
(ii) the Vendor, an indirect wholly-owned subsidiary of the Company (as vendor); and  
(ii) the Company (as the guarantor).

#### Subject matter

Pursuant to the Agreement, (i) the Purchaser agreed to purchase, and the Vendor agreed to sell, the Sale Share and the Shareholder's Loan, subject to the terms and conditions contained in the Agreement.

#### Purchase Price

The aggregate Purchase Price for the Sale Share and the Shareholder's Loan shall be HK\$980,000,000 (subject to the adjustment). For the purposes of apportionment, the aggregate Purchase Price to be paid by the Purchaser to the Vendor: (i) for the benefit of the Shareholder's Loan, shall be an amount equal to the amount of the Shareholder's Loan; and (ii) for the Sale Share, shall be an amount equal to the balance of the Purchase Price after deducting the amount of such purchase price in respect of the assignment of the benefit of the Shareholder's Loan.

According to the Assignment of Shareholder's Loan, there was Shareholder's Loan in the amount of HK\$573,362,082 as at the Completion Date. The consideration for the Sale Share and the Shareholder's Loan were HK\$406,637,918 and HK\$573,362,082, respectively.

According to the Agreement, the aggregate Purchase Price in the amount of HK\$980,000,000 (subject to adjustment) shall be paid by the Purchaser in the following manner:

- (i) the Initial Deposit in the amount of HK\$98,000,000 shall be paid to the Vendor's solicitors ("**Stakeholder**") on the working day immediately following the date of the Agreement, which shall be held by the Vendor's solicitors as stakeholder and shall be released in accordance with the terms and conditions of the Agreement; and



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## LETTER FROM THE BOARD

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- (ii) the balance of the Purchase Price of HK\$882,000,000 (the “**Balance of Purchase Price**”) shall be paid on Completion in the following manner:
  - (a) a sum which shall not exceed HK\$880,000,000, being the full redemption amount for discharging and releasing the existing mortgage over the Property and all other security documents (to the extent that they affect the Sale Share, the Shareholder’s Loan, the Target Company and/or the Property) provided as security in favour of SCB (“**Redemption Amount**”) shall be payable to SCB;
  - (b) the remaining balance of the Balance of Purchase Price after deducting item (a) above shall be payable to Vendor’s solicitors as Stakeholder who shall hold such funds and release the same to the Vendor upon and subject to the terms and conditions set out in the Agreement.

The Vendor and the Purchaser agree that, subject to Completion taking place, the sum of HK\$100,000,000 (“**Security Deposit**”) out of the Purchase Price (subject to adjustment) paid by the Purchaser shall be retained by the Stakeholder following Completion. The Stakeholder may release the remainder of the Purchase Price (subject to adjustment) paid by the Purchaser, after deducting the Redemption Amount and the Security Deposit, to the Vendor.

### *Security Deposit*

The Security Deposit shall be released for:

- (i) settling any amount payable by the Vendor to the Purchaser if the Purchase Price is reduced as set out in paragraph (ii) under the section headed “Adjustment to the Purchase Price” below;
- (ii) discharging the outstanding liabilities of the Target Company including tax liabilities and outstanding liabilities of the Target Company in relation to certain contracts listed in the Agreement (“**Contracts**”), subject to adjustment. The Vendor shall provide the Purchaser with all such evidence reasonably satisfactory to the Purchaser (such as Contracts, invoice or demands notes) showing the amounts payable by the Target Company to the relevant payees, and the Purchaser shall, not less than three working days upon receiving the evidence, send a notice to direct the Stakeholder to release such money directly to the payees. The Vendor and the Guarantor shall procure that all Contracts shall be terminated as soon as possible after the outstanding liabilities under the relevant Contract have been settled. The total liabilities of the Target Company in relation to the Contracts are, in aggregate, HK\$26,884,837, and all of such liabilities were settled as at the Latest Practicable date;

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## LETTER FROM THE BOARD

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- (iii) payment of liquidated damages by the Vendor to the Purchaser under the following circumstances (where relevant):
- (a) the Vendor shall procure that such notice to the Buildings Department in respect of the cessation of appointment of the relevant registered contractor for the re-development of the Property shall be duly completed and signed by the relevant registered contractor (and, if such cessation of appointment precedes the resignation of the Authorized Person for the re-development of the Property nominated by the Vendor, signed also by such Authorized Person), and be delivered to the Purchaser at the Vendor's cost within 30 days after Completion. If the Vendor fails to deliver such notice within the stipulated time limit after Completion, the Purchaser shall be entitled to claim against the Vendor and the Guarantor a liquidated damage of HK\$100,000 per day until the date when such notice has been delivered to the Purchaser, which shall be deducted from and paid out of the Security Deposit (to the extent available) and thereafter by the Vendor to the Purchaser directly; and
  - (b) upon Completion, the original Deed Poll duly rectified in accordance with and to conform to the form previously approved by the Director of Lands on 17 June 2019 and initialled by the parties thereto shall be delivered by the Vendor to the Purchaser. If the Vendor fails to provide duly rectified and initialled Deed Poll within seven days after the Completion Date, the Purchaser shall be entitled to claim against the Vendor for the sum of HK\$500,000 as liquidated damages which shall be deducted from and paid out of the Security Deposit (to the extent available) and thereafter by the Vendor to the Purchaser directly.

As at the Latest Practicable Date, the Deed Poll and signed notice had already been delivered by the Vendor to the Purchaser. To the best of the knowledge, information and belief of the Directors, no amount will be deducted from the Security Deposit in accordance with paragraph (iii) above.

Following the payment of such amounts, if there is any remaining amount of the Security Deposit, the Stakeholder may release such remaining amount to the Vendor.

The Initial Deposit was released to the Vendor on the Completion Date. The final Redemption Amount was HK\$777,412,272.16. The remaining balance of the Balance of Purchase Price after deducting the Redemption Amount is HK\$104,587,727.84, of which:

- (i) HK\$100,000,000 is held as Security Deposit by the Stakeholder, which shall be released to the Vendor after payment of the amounts set out in paragraphs (i) to (iii) (where relevant) under the section headed "Security Deposit" above. The said payment, in the amount of HK\$10,274,000, for settling the final installment payable to the main contractor in relation to foundation works for redevelopment, was paid out of the Security Deposit. The remaining Security Deposit after netting off the said payment, amounting to HK\$89,726,000, was released to the Vendor on 27 March 2020; and
- (ii) HK\$4,587,727.84 was released to the Vendor on the Completion Date.

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## LETTER FROM THE BOARD

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### Adjustment to the Purchase Price

The Vendor undertakes to deliver to the Purchaser's solicitors within 2 months from the Completion Date the Completion Accounts.

If the Purchaser disagrees with the Completion Accounts, it may serve a notice in writing on the Vendor within 10 working days (or within such other period as the Vendor and the Purchaser may agree in writing). The parties shall then refer the items in dispute to the Hong Kong office of such independent firm of certified public accountants of international repute as mutually agreed by the Vendor and the Purchaser or failing such agreement, to such other independent firm of certified public accountants of international repute in Hong Kong as the President of the Hong Kong Institute of Certified Public Accountants may nominate (the "**Expert**"), on the basis that the Expert is to be instructed to make a decision on the dispute and notify the Vendor and the Purchaser of its decision within twenty (20) working days of receiving the reference or such longer reasonable period as the Expert may determine.

Following the agreement or determination of the Completion Accounts as set out above, if the Net Asset Value as shown in the Completion Accounts is more or less than zero, the Purchase Price shall be adjusted upwards or downwards (as the case may be) as follows:

- (i) if the Net Asset Value is a positive amount, the amount equal to such Net Asset Value shall be added to the Purchase Price and the Purchaser shall pay to the Vendor the amount of the increase; or
- (ii) if the Net Asset Value is a negative amount, the amount equal to the absolute amount of such Net Asset Value shall be deducted from the Purchase Price and the Vendor shall pay to the Purchaser the amount of the deduction, and either the Purchaser (as agent for and on behalf of the Vendor) or the Vendor may direct the Stakeholder to pay such amount to the Purchaser out of the Security Deposit.

The amount as set out in paragraph (i) or (ii) (as the case may be) shall be paid within 5 working days following agreement or determination of the Completion Accounts as described above.

The Completion Accounts was delivered to the Purchaser on 9 March 2020.

The net assets as at 9 January 2020 (i.e. Completion Date) is HK\$23,113,403 according to the Completion Accounts.

The amount of HK\$23,113,403 includes (i) deposit with the Water Supplies Department in the amount of HK\$37,000; and (ii) deferred liabilities in the amount of HK\$23,076,403.

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## LETTER FROM THE BOARD

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There were deferred liabilities because the final payments in relation to certain Contracts with the contractors were settled by Vendor after the Completion Date. According to the Agreement, the Vendor and the Guarantor shall be responsible to pay and discharge the outstanding liabilities of the Target Company including tax liabilities and the outstanding liabilities of the Company under the Contracts subject to the mechanism of post-completion adjustment set out in the Agreement. Since the Vendor has agreed to settle such liabilities without demanding any payments, the amount is therefore deemed to be contributed by the Vendor (as a shareholder of the Target Company). As such, the amount has been credited as capital reserve in the equity of the Target Company.

As deferred liabilities should be excluded in computing the Net Asset Value (please see the definition of “Net Asset Value” in this circular for details), there is only adjustment of HK\$37,000 to the Purchase Price. However, the Purchaser will return the deposit of HK\$37,000 to the Vendor upon the Target Company receiving the same from the Water Supplies Department.

### **Basis of determination of the Purchase Price**

The Purchase Price was determined after arm’s length negotiations between the Vendor and the Purchaser having taking into account (i) the prevailing market value of comparable land parcels in the vicinity of the Property; (ii) the valuation on the market value of the Property on redevelopment basis of HK\$903,000,000 as determined by an independent valuer as at 27 September 2019 (details on the basis of the valuation method are set out in the section headed “Information on the Target Company and the Property” below); (iii) the Net Asset Value; (iv) the amount of liabilities of the Target Company for which the Security Deposit will be released for settlement; (v) the possible adjustment to the Purchase Price in accordance with the terms and conditions of the Agreement, notwithstanding that the Directors do not expect there to be significant adjustment; (vi) the future market value of the Property after development; and (vii) the potential interests payable and costs (including costs related to manpower) for the completion of the development of the Property to be undertaken by the Group.

The current assets of the Target Company as at the Completion Date amounted to HK\$596,475,485. The adjusted net asset value of the Target Company after taking into account the market value of the Property as at 28 February 2020 (details of which are disclosed in the valuation report set out in Appendix IV of this circular) is HK\$970,000,000. The Purchase Price of HK\$980,000,000 represents a premium of approximately 1% over the adjusted net asset value of the Target Company of HK\$970,000,000.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Purchase Price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Condition Precedent

Completion of the Disposal is conditional upon the Vendor having, at the Vendor's own cost, procured the Target Company to prove and give a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong). If it is not fulfilled on or before the Completion Date, the Purchaser shall be entitled to cancel the transaction under the Agreement whereupon the Vendor shall procure that all the Initial Deposit paid shall be returned to the Purchaser forthwith and neither party shall have any claim against the others for any relief under the Agreement.

### Completion

Completion has taken place on 9 January 2020.

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

### 3. INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company, a company incorporated in Hong Kong with limited liability, is principally engaged in property development in Hong Kong. Prior to Completion, the Target Company was an indirect wholly-owned subsidiary of the Company.

The Target Company is the registered and beneficial owner of the Property. The Property is situated at Nos. 11-15 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong. The total gross area of the Property is approximately 14,398 square meter. Prior to Completion, the Property was held by the Target Company for redevelopment and sale.

The audited financial information of the Target Company for the three years ended 31 December 2017, 2018 and 2019 respectively are as follows:

	For the year ended 31 December		
	2017	2018	2019
	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000
Revenue	0	0	0
Net profit/(loss) before taxation	(2,689)	(190)	(234)
Net profit/(loss) after taxation	(2,655)	(190)	(234)

The audited net assets of the Target Company as at 31 December 2019 was approximately HK\$(3,406,784).

The valuation in terms of gross development value of the Property and the market value of the Property on redevelopment basis as determined by an independent valuer as at 27 September 2019 was HK\$2,050,000,000 and HK\$903,000,000, respectively.

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## LETTER FROM THE BOARD

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Details on the two bases of the two valuation methods are as follows:

Gross development value: The estimated gross development value is the aggregate capital value of the units of the proposed development at the Property assuming completion of construction as at the date of valuation at current price. The assessment of the estimated gross development value is also made on the basis of market value being applied to the completed units.

In preparing the gross development value of the Property, the independent valuer has valued the Property by adopting the direct comparison method by making reference to sales evidence as available on the market. The valuer has valued the market value of the Property on completion basis assuming that it is fully completed as at valuation date. The gross development value of the Property is the valuer's opinion of the aggregate market values of all saleable units comprised in the completed development.

Market value on redevelopment basis: In assessing the market value on redevelopment basis, the valuer has adopted the residual method which is a means of valuing land with reference to its development potential by deducting development costs, interest and developer's profit from its estimated gross development value. It relies upon a series of assumptions, which produce an estimate of the expected current market value of a site being developed or held for development or redevelopment.

The Purchase Price was determined by the parties after arms' length negotiations after taking into account, among other things, the market value of the Property on redevelopment basis as determined by the independent valuer rather than the gross development value of the Property due to the then redevelopment status of the Property (i.e. the Property was a site with only substructural works in progress and steel hoardings erected along its perimeter as at the date of the Agreement).

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

#### **4. FINANCIAL EFFECTS OF THE DISPOSAL**

The excess of the Purchase Price over the net asset value of the Target Company as at 9 January 2020 is approximately HK\$956,886,597.

The Group expects to have a gain of approximately HK\$384,000,000 before tax upon Completion, which is calculated based on (i) the aggregate Purchase Price for the Sale Share and Shareholder's Loan of HK\$980,000,000; (ii) less the carrying amount of the Target Company of approximately HK\$596,000,000 as at the Completion Date, being the cost of the Disposal.

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## LETTER FROM THE BOARD

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Assuming the Disposal had taken place on 31 December 2019, the total assets of the Group would decrease from approximately HK\$3,490 million to approximately HK\$3,090 million while total liabilities of the Group would decrease from approximately HK\$2,781 million to approximately HK\$1,988 million. The net profit attributable to shareholders of the Company for the year ended 31 December 2019 would increase from approximately HK\$5.3 million to approximately HK\$457.2 million.

The actual amount of gain is subject to audit and the costs and expenses incurred relating to the Disposal will be taken into account. Therefore, the actual amount of gain may be different from the estimated amount above.

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

### **5. USE OF PROCEEDS**

The cash proceeds from the Disposal will be used as repayment of bank loan and interest and general working capital of the Group. The aggregate net proceeds from the Disposal were approximately HK\$200,000,000, of which (i) approximately HK\$110,000,000 will be used for repayment of bank loan in installments; (ii) approximately HK\$60,000,000 will be used for payment of interest in relation to the bank loan; and (iii) approximately HK\$30,000,000 will be used as general working capital of the Group.

### **6. REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Directors believe that the value of the Property will be realised by the Disposal and the Disposal will enable the Group to free up capital for its business operations because part of the net proceeds from the Disposal will be used for repayment of bank loan (in installments) and interest in relation thereto, reducing the finance cost of the Group. As a result, the Group will benefit as a whole. The Directors (including the independent non-executive Directors) consider that the Disposal and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **7. INFORMATION ON THE GROUP AND THE VENDOR**

The Group is principally engaged in property development and property investment for sale, rental or capital appreciation, provision of property management services and provision of finance.

The Vendor is a company incorporated in the BVI and is principally engaged in the business of property development in Hong Kong. It is a wholly-owned subsidiary of the Company. Prior to Completion, the Target Company was a direct wholly-owned subsidiary of the Vendor.

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## LETTER FROM THE BOARD

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### 8. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser is directly held as to 100% by First Group Holdings Limited, which is in turn owned as to 100% by Mr. Hui Wai Yan; (ii) First Group Holdings Limited is principally engaged in the design, construction and development of properties; and (iii) each of the Purchaser and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

### 9. LISTING RULES IMPLICATION

As one or more applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As such, there is failure by the Company to timely comply with the reporting, announcement and shareholders' approval requirements. To the best of the Directors' knowledge, information and belief, such delay in disclosure and other compliance matters under Chapter 14 of the Listing Rules was due to the reconsidering of the recommendation in the agenda of IFRS Interpretations Committee Meeting held in 2019 and hence recognizing the possibility of IFRS 10 rather than IFRS 15 being applied insofar as the accounting treatment of sale of a single asset entity containing real estate is concerned. IFRS 10 specifies requirements that apply to transactions involving change in control of entities (e.g. by way of transferring equity interests) while IFRS 15 apply to transactions involving the transfer of control of assets to customers in the ordinary course of business. The IFRS Interpretations Committee recommended publishing a tentative agenda decision that outlines how an entity applies IFRS 10 to the sale of a single asset entity containing real estate. Nevertheless, the Directors reiterated that they have no intention for such non-compliance and the non-compliance was solely due to the reasons as stated above.

The Company and the Board apologize for any inconvenience caused to investors due to the non-compliance issues. Going forward, the Company will closely monitor the effectiveness and efficiency of its compliance system and the relevant corporate governance measures, particularly in the areas of, among other things, notifiable transactions, so as to prevent the future occurrence of any similar incidents. Further remediation actions are detailed in the section headed "Remedial Actions" of this circular.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders or any of their associates have any material interest in the Disposal, thus no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Disposal at the material time.



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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, Mr. Chan Man Fai Joe and his associate, holding, in aggregate, 434,640,800 Shares, representing approximately 67.75% of the total number of issued Shares, intend to vote in favour of the resolution(s) to be proposed at extraordinary general meeting for approving and ratifying the Agreement and the transactions contemplated thereunder.

### 10. REMEDIAL ACTIONS

In order to avoid recurrence of incidents mentioned above and to ensure proper compliance with the Listing Rules in the future, the following remedial measures have been or will be taken by the Group:

- (i) with immediate effect, legal and accounting professionals are required to be consulted in relation to all disposals of the shares of the subsidiary(ies) and shareholder's loan(s) under the Group in relation to the treatment to ensure compliance with the relevant requirements under the Listing Rules;
- (ii) training will be provided to the relevant handling staff in relation to the requirements under the Listing Rules, particularly those concerning notifiable transactions;
- (iii) the Company has sought, and will seek legal advice from time to time as and when necessary.

### 11. EGM

The EGM will be held by the Company at 11:00 a.m. on 17 July 2020 at 11/F, TG Place, No. 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Disposal, and therefore no Shareholder is required to abstain from voting on the resolution approving the Agreement and transactions contemplated thereunder at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his Shares to a third party, either generally or on a case-by-case basis.

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## LETTER FROM THE BOARD

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All resolutions to be proposed at the EGM will be voted on by poll. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to read the notice and to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person and any adjourned meeting thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

### 12. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the Disposal and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution for approving the Agreement and the transactions contemplated thereunder to be proposed at the EGM.

### 13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**Star Properties Group (Cayman Islands) Limited**  
**Chan Man Fai Joe**  
*Chairman*

## 1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively, together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website ([www.starproperties.com.hk](http://www.starproperties.com.hk)):

- the annual report of the Company for the year ended 31 December 2017 published on 12 March 2018 (pages 49-118) <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0312/ltn20180312425.pdf>;
- the annual report of the Company for the year ended 31 December 2018 published on 12 March 2019 (pages 57-140) <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0312/ltn20190312393.pdf>; and
- the annual report of the Company for the year ended 31 December 2019 published on 26 March 2020 (pages 62-149) <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0326/2020032601243.pdf>

## 2. INDEBTEDNESS OF THE REMAINING GROUP

As at the close of business on 31 March 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Remaining Group amounted to HK\$1,830 million, and comprised (i) secured bank borrowings amounted to HK\$1,765 million; (ii) unsecured bank borrowings amounted to HK\$65 million.

### (i) Secured bank borrowings

Certain bank borrowings amounted to HK\$1,735 million which were secured by the pledge of the Group's investment properties, completed properties and properties under development and a bank borrowing amounting to HK\$30 million were secured by the pledged bank deposits of a subsidiary of the Company; and secured bank borrowings amounted to HK\$1,627 million were guaranteed by entities within the Remaining Group, and the remaining secured bank borrowings amounted to HK\$138 million were not guaranteed.

**(ii) Unsecured bank borrowings**

All the unsecured bank loans amounted to HK\$65 million were guaranteed by an entity within the Remaining Group.

Save as disclosed above and apart from intra-group liabilities, the Remaining Group did not have any outstanding debentures issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, material hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 March 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Remaining Group prior to the printing of this circular.

**3. WORKING CAPITAL STATEMENT**

The Directors, after due and careful enquiry, are of the opinion that taking into account of the Disposal and the present financial resources available to the Group including but not limited to its internally generated revenue and funds, cash and cash equivalents on hand, banking facilities available to the Group, and in the absence of unforeseen circumstances, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Group were made up.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

Following the completion of the Disposal, the Remaining Group will continue to be principally engaged in property development and property investment for sale, rental or capital appreciation, provision of property management services and provision of finance.

As disclosed in this circular, the Group will use the proceeds from the Disposal for, among others, general working capital for its business operation.

The outbreak of COVID-19 in China and its spreading is further dampening the weakened retail market and economy of Hong Kong, so does the Hong Kong property market, in particular the retail sector. The gloom and mourning in food and beverage as well as tourist industry are widespread. Despite these uncertainties in the market, the Group is well prepared to face the challenges and try to stabilize its income. The Group remains optimistic on the commercial and residential market in Hong Kong and will continue to strategically explore appropriate landbanks and related business when strategically possible.

In order to broaden the range of services, catering to different types of customer across different stages of the property development and investment chain, the Group decides to establish the business segment to provide construction services to enhance the synergy and for better cost and quality control. The Group is in the progress to apply for the relevant licenses and hopefully to obtain all necessary licenses by the end of 2020.

The Group has reviewed that the Group's principal business activities include, amongst other things, property development and investments, which are capital intensive and may lead to significant fluctuation in profitability between different periods. In order to strengthen the value of the Group's asset base, and at the same time generate more stable and regular income, the Group considers acquiring several operating entities that operate in the business of provision of stylish space including serviced apartments, workshops, storage and wine cellars under an established "Metropolitan" brand together with their self-owned properties. There is a growing trend in the global property market to integrate different lifestyle facilities like co-working space, storage space and wine cellar into living space. There is synergy to the Group by operating the lifestyle business. The additional lifestyle elements will help to increase the value of different developed properties in the future. It is believed that (i) rental income to be generated from leasing out the whole property directly to the independent third party; or (ii) the value of the investment properties are expected to increase. It will also help to provide a more regular income for the Group.

## 6. MANAGEMENT DISCUSSION AND ANALYSIS AND FINANCIAL REVIEW OF THE REMAINING GROUP

The Remaining Group is principally engaged in property development and property investment for sale, rental or capital appreciation, provision of property management services and provision of finance.

Set out below is the management discussion and analysis of the Remaining Group for each of the years ended 31 December 2017, 2018 and 2019 prepared on the basis that the Target Company is not consolidated, and the Company has no ownership interest in the Target Company. The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the consolidated financial statements of the Company for the reporting periods.

### For the year ended 31 December 2017

#### *Business Review*

The Remaining Group's revenue for the year ended 31 December 2017 amounted to approximately HK\$732.4 million, which represented a notable increase of approximately HK\$691.7 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2017 was approximately HK\$98.5 million, which represented an increase of approximately HK\$76.0 million from last year. The increase in revenue and the profit for the year ended 31 December 2017 was mainly due to (i) the revenue recognition for the completion and delivery of sold units from property development project "The Star" to the buyers during the year; and (ii) the non-recurring expenses of approximately HK\$16.9 million in relation to the Listing on 13 July 2016 incurred for the year ended 31 December 2016.

The review of the individual business segment of the Remaining Group is set out below.

#### *Property Development*

Revenue recognised in this business segment during the year amounted to approximately HK\$728.2 million. As at 31 December 2017, the Remaining Group had two completed projects, namely, (a) The Galaxy and (b) The Star; and three projects under development, namely, (c) The Rainbow (previously named as Yue Fung Project); (d) Yuen Long site; and (e) Kwun Tong site. A general summary and update of the property development projects of the Remaining Group during the reporting year and as at 31 December 2017 are listed below:

- (a) The Galaxy: Revenue recognised for the completion and delivery of three workshop units during the year amounted to HK\$14.0 million. The decrease in revenue for the reporting year was mainly attributable to fewer delivery of completed units compared with last year.
- (b) The Star: The Remaining Group received the occupation permit from the Buildings Department of the Hong Kong Government on 16 May 2017. Revenue recognised for the completion and delivery of the 282 pre-sold units during the year was approximately HK\$714.2 million.

- (c) The Rainbow (previously named as Yue Fung Project): The Board has passed a resolution to change the investment intention of the project from investment property to inventories and classified it as property held for sale as well as to adopt a new development plan with a view to sell after granting approval from the Hong Kong Government on general building plans submission and a special waiver allowing the existing industrial building to be converted into commercial building. The building and the project “Yue Fung Project” has been renamed as “The Rainbow”. The Remaining Group has launched the pre-sales of the project in November 2017. The total contracted pre-sales amounted to approximately HK\$246.1 million which will be recognised (subject to audit) as revenue of the Remaining Group upon completion and delivery of units. The project has attracted different age groups including the end users and the investors and making a strong foundation for the Remaining Group to achieve sustainable and healthy returns. The Remaining Group is currently preparing for the launch of the pre-sale of the remaining units. The alternations and additions works are making good progress and are expected to be completed within 2018.
- (d) Yuen Long Site Project: The Remaining Group has successfully acquired a property located at Wang Yip Street West, Yuen Long, New Territories in February 2017, through acquisition of subsidiaries. Ocean Bay International Limited, a company incorporated in the BVI and a wholly owned subsidiary of the Remaining Group as the purchaser, entered into a sale and purchase agreement in relation to the acquisition of 100% equity interest of Canton Glory Limited (“**Canton Glory**”), a company incorporated in BVI, together with Sincere Gold Properties Limited (“**Sincere Gold**”), its wholly-owned subsidiary which is incorporated in Hong Kong, at a cash consideration of HK\$339,980,000. Sincere Gold holds the property located at Wang Yip Street West, Yuen Long, New Territories. The Remaining Group intends to redevelop it into a residential complex with some shops. The Remaining Group is in the progress to submit the building plans to the Building Department of the Hong Kong Government and lease modification application to the Lands Department of the Hong Kong Government. The Remaining Group expects to commence hoarding and demolition works in the second quarter of 2018.
- (e) Kwun Tong Site Project: The Remaining Group has successfully acquired an industrial building located in Kwun Tong, Kowloon in August 2017, through Diamond Ocean Investments Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Remaining Group as the purchaser entered into a sale and purchase agreement in relation to the acquisition of the properties located at Wai Yip Street, Kwun Tong, Kowloon, at a cash consideration of HK\$760,000,000. The Remaining Group intends to redevelop it into a high grade commercial building. The building is currently leasing out to generate temporary rental income from properties held for sale. The Remaining Group is in the progress to prepare the submission of lease modification to the Lands Department of the Hong Kong Government.

Ngau Tau Kok Site Project: The Remaining Group has entered into a provisional sale and purchase agreement in January 2017 to acquire an industrial building located in Ngau Tau Kok, Kowloon. Pursuant to a provisional sale and purchase agreement entered into in August 2017 between Star Properties Group (BVI) Limited, a wholly owned subsidiary of the Company, and an independent third party as the purchaser, the Remaining Group agreed to sell its entire equity interest in Moon Colour Holdings Limited, which was a wholly owned subsidiary of the Remaining Group and held a property located at Tai Yip Street, Ngau Tau Kok, Kowloon (the “NTK Site”), as at completion to the purchaser at an aggregate cash consideration of HK\$360,000,000. On the basis that (i) the consideration offered by the purchaser was higher than our initial acquisition consideration for the NTK Site; and (ii) after balanced consideration and based on the due diligence review of the NTK Site to date, the disposal of the entire equity interest in Moon Colour Holdings Limited represents an opportunity for the Remaining Group to focus on the Yuen Long Site Project and the Kwun Tong Site Project which the Directors believe have more attractive development potentials, the Directors are of the view that the terms of the disposal of the entire equity interest in Moon Colour Holdings Limited are fair and reasonable and in the best interest of the Company and its Shareholders as a whole, and would allow the Remaining Group to better allocate resources for the development of the businesses of the Remaining Group and improve the financial flexibility of the Remaining Group. The disposal of the entire equity interest in Moon Colour Holdings Limited was completed in August 2017 and the resulting gain on the disposal of the entire equity interest in Moon Colour Holdings Limited was recognised in the profit or loss.

New development projects: The Remaining Group is constantly seeking to increase our land bank for future development and has recently entered into five provisional sale and purchase agreements to acquire an industrial building located in Tung Chau Street, Kowloon in January 2018. The Remaining Group expects to complete all of the acquisitions by July 2018.

Moving forward, the Remaining Group keeps its continuous proactive participation in the search for land reserve for commercial, industrial and residential use that will give a solid competitive advantage to sustain its operation and return in the long run. The Remaining Group has also explored other ways of collaboration with external parties for development opportunities to expand market reach as well as strengthen brand awareness with the portfolio of quality properties.

#### *Property Investment*

As at 31 December 2017, the Remaining Group’s portfolio of investment properties comprised of car parking spaces located in Hong Kong with a total carrying value of approximately HK\$36.7 million. The decrease in the total carrying value was mainly due to change of the investment intention of The Rainbow from an investment property to property held for sale as mentioned above and disposal of the car parking spaces. Revenue recognised in this business segment during the year amounted to approximately HK\$2.0 million, representing a decrease of approximately HK\$6.8 million as compared with last year. The decrease in gross rental income was mainly due to the aforesaid change of investment intention of The Rainbow.



*Provision of Property Management Services*

Currently, the Remaining Group is operating in the business segment of property management services to provide the management services for our two completed projects, The Galaxy and The Star. Revenue recognised in this business segment during the year amounted to approximately HK\$1.0 million, the Remaining Group expects this business segment to be expanded by increasing our completed projects in the coming years.

*Provision of Finance*

This new line of business reflects the Remaining Group's strategy for business diversification and creating synergy with the Remaining Group's existing segments of property related businesses as well as provides a new source of income to earn a relatively higher and more stable return compared with deposits and securities investments. Currently, the Remaining Group is operating in this business segment to provide credit facilities to individuals and corporations for our two completed projects. Revenue generated from this business segment during this year amounted to approximately HK\$1.1 million. The Remaining Group expects this business segment will continue to grow healthily under the continuous tightening of mortgage lending policy in Hong Kong and by increasing our completed projects in the coming years.

*Liquidity and Financial Resources*

The total equity of the Remaining Group as at 31 December 2017 was approximately HK\$645.0 million. As at 31 December 2017, the Remaining Group maintained bank balances and cash of approximately HK\$29.2 million. The Remaining Group's net current assets of approximately HK\$558.8 million as at 31 December 2017. The Remaining Group had current assets of approximately HK\$2,085.4 million. The increase of current assets was mainly due to increase in property under development. The Remaining Group had current liabilities of approximately HK\$1,526.6 million. The increase of current liabilities was mainly due to the increase in borrowings and recognition of the receipts in advance from the units pre-sold of The Star as revenue in the same reporting period.

The Remaining Group generally finances its operations with internally generated cashflow, borrowings and equity financing in Hong Kong. During the year, the Company raised approximately HK\$134.4 million before expenses by way of the open offer. As at 31 December 2017, the Remaining Group had outstanding borrowings of approximately HK\$1,421.2 million. The borrowings as at 31 December 2017 were secured by the properties of the Company and the corporate guarantee as well as the personal guarantee from a director.

The Remaining Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as total borrowings net of cash and cash equivalents divided by total equity) increased from 164.6% as at 31 December 2016 to 220.4% as at 31 December 2017 and increased from 157.7% as at 31 December 2016 to 214.3% as at 31 December 2017 respectively, mainly due to the increase in borrowings which was partially offset with the issue of shares by way of the open offer.

The Remaining Group's debt-to-assets ratio (defined as total borrowings net of cash and cash equivalents divided by total assets) increased from 52.1% as at 31 December 2016 to 64.1% as at 31 December 2017 due to increase in borrowings and increase in properties held for sale.

The Remaining Group's capital commitment as at 31 December 2017 amounted to approximately HK\$116.6 million (31 December 2016: approximately HK\$309.8 million). The decrease of capital commitment was mainly due to the completion of the acquisition regarding the equity interest of a subsidiary.

The Remaining Group has no significant contingent liabilities as at the end of the year ended 31 December 2017. The Remaining Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

The Remaining Group adopts a financial management policy so that the financial resources are under close monitoring to ensure the Remaining Group's smooth operation and loan repayment obligations. Therefore, the management of the Remaining Group is of the opinion that the Remaining Group's financial structure and resources are healthy and sufficient for meeting its needs on operation, potential investment and to cope with market changes.

#### *Foreign Exchange*

The Remaining Group's transactions and the monetary assets and liabilities are principally denominated in Hong Kong dollars, while all borrowings are also denominated in Hong Kong dollars. The management of the Remaining Group is of the opinion that the Remaining Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2017. Therefore, the Remaining Group does not engage in any hedging activities.

#### *Pledge of Assets*

As at 31 December 2017, the Remaining Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK\$26.3 million and HK\$1,760.8 million as well as HK\$10 million respectively were pledged to secure the Remaining Group's banking facilities.

#### *Significant investments held, material acquisitions and disposals of subsidiaries, and future plans for material investments or capital assets*

Save as disclosed in this circular, (i) there were no significant investments held during the year ended 31 December 2017; and (ii) the Remaining Group did not have other plans for material investments or capital assets as at 31 December 2017.

*Acquisition of Canton Group*

On 26 September 2016, the Group entered into a sale and purchase agreement with two vendors that the Group agreed to acquire the equity interest and shareholders' loan of Canton Glory Limited, together with its wholly-owned subsidiary, namely Sincere Gold Properties Limited, (collectively referred to as "**Canton Group**") for a total cash consideration of HK\$339,980,000. Canton Group owned an industrial property located at Wang Yip Street West, Yuen Long, Hong Kong. The Group acquired the industrial property through acquisition of the entire equity interest in Canton Glory Limited. Such industrial property was acquired for redevelopment with a view to sale. As at 31 December 2016, the Group had paid deposits totaling of HK\$33,998,000 to independent solicitors for the acquisition. The transaction was completed on 24 February 2017.

*Acquisition and disposal of Moon Colour Group*

In January 2017, the Group paid a deposit of HK\$35,000,000 to independent solicitors for acquiring the entire issued share capital and the right to all debts owing by Moon Colour Holdings Limited and its subsidiaries (the "**Moon Colour Group**") for a total consideration of HK\$350,000,000. The Moon Colour Group owns a property located in Hong Kong. The directors of the Company intended to acquire the property for redevelopment with a view to sale. Subsequently in August 2017, the Group entered into sale and purchase agreement to dispose of the Moon Colour Group to a third party investor for a total consideration of HK\$360,000,000. Both acquisition and disposal transactions mentioned above were completed on 21 August 2017. The net cash inflow in this transaction is HK\$1,508,000, net of transaction costs of HK\$8,492,000. The Group recognised a gain on disposal of subsidiary amounted to HK\$1,508,000 in respect of this disposal transaction for the year ended 31 December 2017.

*Acquisition of Star Finance*

On 10 November 2016, the Group acquired 100% equity interest of Star Finance (H.K.) Limited ("**Star Finance**") from a related company, Galaxy Asset Management Holdings (BVI) Limited ("**GAMHL**"), for a cash consideration of approximately HK\$7,000. GAMHL is wholly-owned by Mr. Chan Man Fai Joe. In addition, the Group also paid a consideration of approximately HK\$1,247,000 for an assignment of debt. Star Finance was principally engaged in provision of finance business. The acquisition allows the Group to diversify the Group's business portfolio and also provides a new source of income for the Group. No material acquisition related costs were incurred in the acquisition.

*Employees and Remuneration Policy*

As at 31 December 2017, the Remaining Group employed 11 employees and appointed 8 Directors. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to individual performance, working experience, qualification and the current relevant industry practices. Apart from base salary and statutory provident fund scheme, discretionary bonus and share options may be granted to selected staff by reference to the Remaining Group's as well as the individual's performances. Other forms of benefits such as medical, on-the-job and external training to staff are also provided. The Remaining Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Remaining Group maintains a good relationship with its employees.

*Prospect*

Hong Kong's property market is expected to continue to rise on the basis of a healthy economy, rising confidence in economic growth and continuous inflow of Chinese capital. Driven by strong investment appetite and abundant liquidity, property prices continue to beat market expectation in 2017 and expect to move up moderately in 2018 although buyers' sentiment should be affected by the advent of the U.S. interest rate upcycle. Office market will continue to benefit from a strong GDP growth and optimistic business outlook by major industries while the high rental cost will make the companies look for alternative solutions in emerging business districts. As for the industrial market, the new revitalization policy will further enhance the industrial property values which will attract new investments. The Remaining Group expects the rising demand and yet the shortage in the supply of newly built buildings in Hong Kong will continue provide opportunities to the Remaining Group. The Remaining Group will proactively look for feasible development projects to enrich our land bank and launch the property project into the market with an accurate product positioning as well as effective sales and marketing strategy.

Through the fund raising activity in the capital market, the Remaining Group has successfully raised fund and utilised in the property development project and general working capital with relatively low financing cost as compared with bank financing as can be obtained by a private company.

The Remaining Group remains optimistic about the property market in Hong Kong will grow steadily and place emphasis on strengthening the property development and investment business by enhancing efficiency and diversifying the development project portfolio to include various types of properties and location to ensure our long-term competitiveness in the best interest of the Remaining Group and its Shareholders as a whole.

**For the year ended 31 December 2018*****Business Review***

The Remaining Group's revenue for the year ended 31 December 2018 amounted to approximately HK\$671.7 million, which represented a decrease of approximately HK\$60.7 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2018 was approximately HK\$192 million, which represented an increase of approximately HK\$93.5 million from last year. The decrease in revenue was mainly due to revenue recognition for the completion and delivery of only first phase sold units from property development project "The Rainbow" to the buyers during the year. The notable increase in the gross profit was mainly due to profit recognition of "The Rainbow" and we were benefited from the Revitalisation Measures, a special waiver was granted by the Lands Department to change the land use from industrial to commercial and thus, the profit margin of this project increased.

The review of the individual business segment of the Remaining Group is set out below.

***Property Development***

Revenue recognised in this business segment during the year amounted to approximately HK\$667.2 million. As at 31 December 2018, the Remaining Group had three completed projects, namely, (a) The Galaxy; (b) The Star and (c) The Rainbow; and four projects under development, namely, (d) Yuen Long site; (e) Kwun Tong site; (f) Tack Lee Project and (g) Seongsu Project. A general summary and update of the property development projects of the Remaining Group during the reporting year and as at 31 December 2018 are listed below:

- (a) The Galaxy: Completion and delivery of 8 car parking spaces amounted to HK\$10.5 million in the year ended 31 December 2018. The Remaining Group has entered into 2 provisional purchase and sales agreements in December 2018 in respect of two car parking spaces and expects to be completed in February 2019.
- (b) The Star: Completion and delivery of 12 car parking spaces on ground floor amounted to HK\$14.1 million in the year ended 31 December 2018. All units of The Star, except 2 units on ground floor and 7 car parking spaces on first floor, have been sold out and delivered.
- (c) The Rainbow: The first phase of alternations and additions works were completed in the year of 2018 and the remaining work is expected to be completed in the first quarter of 2019. Completion and delivery of 108 units amounted to approximately HK\$653.1 million for the year of 2018 and was recognized in this current period.

- (d) Yuen Long Site Project: The Remaining Group intends to redevelop it into a residential complex with some shops on ground floor. This project is positioned as a luxury and stylish condominium residential complex targeting at young residents pursuing high quality and design driven lifestyle. The Remaining Group is in the progress to submit town planning application to the Town Planning Board, building plans to the Buildings Department and lease modification application to the Lands Department of the Hong Kong Special Administrative Region. The Remaining Group has already completed the hoarding work and demolition work. Foundation work for the new redevelopment was started at the end of 2018.
- (e) Kwun Tong Site Project: The Remaining Group intends to redevelop it into a high end prestigious commercial building. The tenant has been moved out in December 2018 to pave its way for the commencement of redevelopment work. The Remaining Group has submitted lease modification to the Lands Department in the fourth quarter of 2017. Hoarding plans and demolition plans have already been approved by the Buildings Department of the Hong Kong Special Administrative Region.
- (f) Tack Lee Project: The Remaining Group acquired the site in the middle of 2018, and intended to carry out alteration and additions work to upgrade the industrial building. Up to the end of 2018, there is still one tenant residing in the site. In light of the new initiatives of the revitalization of industrial building announced in the Policy Address by the Chief Executive in the fourth quarter of 2018, the Remaining Group is exploring the redevelopment option to demolish and reconstruct a new building at the site.
- (g) Seongsu Project: The Remaining Group acquired a site in Seongsu area of Seoul, South Korea in December 2018 and intends to redevelop the existing two storey building into a high end prestigious commercial building. In the past few years, Seongsu area has been rapidly transformed from an industrial district comprised of old factories and warehouses into a commercial district that attracted the young generation and entrepreneurs. The building was acquired together with one existing tenant and the Remaining Group is soliciting the tenant to have an early termination of the tenancy agreement. Upon the completion of the property redevelopment work, the Remaining Group intends to sell out the whole building to generate revenue.

The Remaining Group has acquired a whole floor of a commercial building located at Shing Yip Street, Kwun Tong in 2018 through a company incorporated in Hong Kong and a wholly-owned subsidiary of the Remaining Group as the purchaser. The property is currently under renovation and is regarded as properties held for sale. Part of the property would be used as the principal office of the Remaining Group.

The Remaining Group has entered into a sale and purchase agreement to acquire another site at Seongsu area of Seoul, South Korea in January 2019 and expected to complete the acquisition in 1st half of 2019.

In the year of 2018, the Remaining Group has taken a significant step to expand its geographical exposure to a new property market, Seoul in South Korea market. The Remaining Group will continue to pay ongoing attention to the latest property market in Hong Kong and worldwide to source for the best development opportunities to replenish its land reserve. The Remaining Group is committed to build up a brand as a property developer that delivers high quality buildings with modern and stylish design to customers.

#### *Property Investment*

As at 31 December 2018, the Remaining Group's portfolio of investment properties comprised of car parking spaces located in Hong Kong with a total carrying value of approximately HK\$13.5 million. Revenue recognised in this business segment during the year amounted to approximately HK\$0.7 million, representing a decrease of approximately HK\$1.3 million over last year. The decrease in gross rental income was mainly due to vacant The Rainbow for property development after changing the said investment intention.

#### *Provision of Property Management Service*

Currently, the Remaining Group is operating in the business segment of property management to provide the property management services for our three completed projects, The Galaxy, The Star and The Rainbow. Revenue recognised in this business segment during the year amounted to approximately HK\$1.0 million, the Remaining Group expects this segment of business to be expanded as the increase of its upcoming completed projects.

#### *Provision of Finance*

The Remaining Group is operating in this business segment to provide credit facilities to individuals and corporations clients for its own development projects. Revenue generated from this business segment during this year amounted to approximately HK\$2.7 million, representing an increase of approximately HK\$1.6 million over the corresponding period last year. The increase in revenue was mainly attributable to providing credit facilities for the completed projects, The Star and The Rainbow. The Remaining Group expects this business segment will continue to growth healthily under the continuous tightening of mortgage lending policy in Hong Kong and as the increase of our completed projects.

#### *Liquidity and Financial Resources*

The total equity of the Remaining Group as at 31 December 2018 was approximately HK\$795.8 million. As at 31 December 2018, the Remaining Group maintained bank balances and cash of approximately HK\$120.2 million. The Remaining Group's net current assets of approximately HK\$576.5 million as at 31 December 2018. The Remaining Group had current assets of approximately HK\$2,772.9 million as at 31 December 2018. The increase of current assets was mainly due to an increase in property held for sales. The Remaining Group had current liabilities of approximately HK\$2,196.5 million as at 31 December 2018. The increase of current liabilities was mainly due to an increase in bank borrowings.

The Remaining Group generally finances its operations with internally generated cashflow and bank borrowings. As at 31 December 2018, the Remaining Group had outstanding bank borrowings of approximately HK\$2,033.8 million. The bank borrowings as at 31 December 2018 were secured by the Remaining Group's properties, pledged bank deposits, corporate guarantee.

The Remaining Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as the total borrowings net of cash and cash equivalents divided by total equity) increased from approximately 220.4% as at 31 December 2017 to approximately 255.6% as at 31 December 2018 and increased from approximately 214.3% as at 31 December 2017 to approximately 240.5% as at 31 December 2018 respectively due to the increase in bank borrowings.

The Remaining Group's debt-to-assets ratio (defined as total borrowings net of cash and cash equivalents divided by total assets) slightly decrease from approximately 64.1% as at 31 December 2017 to approximately 63.9% as at 31 December 2018.

The Remaining Group's capital commitment as at 31 December 2018 amounted to approximately HK\$158.3 million. The increase of capital commitment was mainly due to project under development.

The Remaining Group has no significant contingent liabilities as at the end of the year ended 31 December 2018. The Remaining Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

The Remaining Group adopts a continuing monitoring approach towards financial management policy so that the financial resources are reviewed from time to time to ensure the Remaining Group's smooth operation and loan repayment obligations. Therefore, the management of the Remaining Group is of the opinion that the Remaining Group's financial structure and resources are healthy and sufficient for meeting its needs on operation, potential investment and to cope with market changes.

#### *Foreign Exchange*

The Remaining Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Remaining Group's primary foreign exchange exposure arises from its property developments in South Korea which are denominated in United States dollars and Korean Won. The Remaining Group acquired a site in South Korea as disclosed under Property Development section and the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in US dollars and Korean won.

As at 31 December 2018, offshore borrowings were approximately Korean Won 14 billion, which is approximately HK\$98 million, for the acquisition of a site in South Korea and project loan will be acquired in the beginning of 2019 for the construction cost of the property. The offshore borrowings is expected to be repaid after the disposal of South Korea Project is completed. The finance cost remains low at approximately 3.5% as at 31 December 2018.



The Remaining Group is not subject to any significant foreign currency risk as the revenue, expenses and borrowings of the Remaining Group's foreign operating subsidiaries are denominated in the functional currencies of those operations. Foreign currency funding and deposit exposure are monitored on a continuous basis. Exposure arising from the Remaining Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

The management of the Remaining Group is of the opinion that the Remaining Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2018. Therefore, the Remaining Group does not engage in any hedging activities.

#### *Pledge of Assets*

As at 31 December 2018, the Remaining Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK\$13.5 million and HK\$2,376.40 million as well as HK\$10.1 million respectively were pledged to secure the Remaining Group's banking facilities.

#### *Significant investments held, material acquisitions and disposals of subsidiaries, and future plans for material investments or capital assets*

Save as disclosed in this circular, (i) there were no significant investments held during the year ended 31 December 2018; and (ii) the Remaining Group did not have other plans for material investments or capital assets as at 31 December 2018.

Save for the acquisition of Seongsu Project as mentioned above, there were no material acquisitions or disposals of subsidiaries during the year ended 31 December 2018.

#### *Employees and Remuneration Policy*

As at 31 December 2018, the Remaining Group employed 16 employees and appointed 8 Directors. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to individual performance, working experience, qualification and the current relevant industry practices. Apart from base salary and statutory provident fund scheme, discretionary bonus and share options may be granted to selected staff by reference to the Remaining Group's as well as the individual's performances. Other forms of benefits such as medical, on-the-job and external training to staff are also provided. The Remaining Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Remaining Group maintains a good relationship with its employees.

*Prospect*

The residential property market in Hong Kong had boomed for more than two years from the beginning of 2016. Reflected by Centra-City Leading Index, the residential market was peaked at 188.64 points in August 2018 and then dropped by almost 10% to 170.19 points in January 2019 in just less than half a year! There are two key factors breaking this long term uptrend, namely, US-China trade war as well as the fear of interest rate hikes.

Nevertheless, these two factors were much alleviated after the speech given by Jerome Powell, Chairman of the Federal Reserve on 28th November 2018, and the meeting between Donald Trump, US President and Xi Jinping, Chinese President on 1st December 2018.

“Interest rates are still low by historical standards, and they remain just below the broad range of estimates of the level that would be neutral for the economy — that is, neither speeding up nor slowing down growth” said Powell on 28th November 2018. There was a clear distinction from remarks he made in October 2018. On the other hand, Donald Trump and Xi Jinping appeared to have reached a trade war truce when they met across dining table at the G20 summit in Buenos Aires, Argentina. Afterwards, US President delivered several positive messages about the progress on the negotiation with China via Twitter. “Just had a long and very good call with President Xi of China. Deal is moving along very well. If made, it will be very comprehensive, covering all subjects, areas and points of dispute. Big progress being made!” tweeted by Donald Trump on 31 December 2018.

The land auction market has reacted favourably to these positive signals in January 2019. One of Hong Kong biggest developers has won a government tender for the fourth plot of residential land on the old airport runway at Kai Tak facing Victoria Harbour at HK\$11.26 billion (GFA: HK\$17,360 per square foot). In comparison to another piece of land nearby facing seaview between the old runway and Kwun Tong, which was bought by another developer at GFA just HK\$13,523 per square foot) in December of 2018, the unit rate has increased by around 28%.

In addition, first-hand residential market also reacted positively as reflected in the first-hand Residential Properties in January 2019. The total number of first-hand transactions was close to around 2000, which is almost two times the sum of November (720 cases) and December (399 cases) 2018.

Nevertheless, the attitude of Donald Trump and Jerome Powell have been swinging and thus the atmosphere of property market and other investments may not be that stable. Given these uncertainties, we are still prudently optimistic towards the property market in 2019.

**For the year ended 31 December 2019*****Business Review***

The Remaining Group's revenue for the year ended 31 December 2019 amounted to approximately HK\$120.0 million, which represented a decrease of approximately HK\$551.7 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2019 was approximately HK\$6.0 million, which represented a decrease of approximately HK\$186.0 million from last year.

Both the decrease in revenue and decrease in gross profit were mainly due to decrease of the completion and delivery of sold units during the year. The basic and diluted earnings per share for the period was approximately HK0.9 cents and HK0.9 cents, respectively, as compared to basic and diluted earnings per share of approximately HK39.95 cents and HK37.95 cents of last year, respectively.

The review of the individual business segment of the Remaining Group is set out below.

***Property Development***

Revenue recognised in this business segment during the year amounted to approximately HK\$109.8 million. Segment results for the year amounted to approximately HK\$27.1 million. The drop in segment results in property development is mainly due to decrease in number of properties sold in 2019. As at 31 December 2019, the Remaining Group had three completed projects, namely, (a) The Galaxy; (b) The Star and (c) The Rainbow; and five projects under development, namely, (d) Yuen Long site; (e) Kwun Tong site; (f) Tack Lee Project; (g) Seongsu Project and (h) Sausage Project. A general summary and update of the property development projects of the Remaining Group during the reporting year and as at 31 December 2019 are listed below:

- (a) The Galaxy: Completion and delivery of 2 motorcycle car parking spaces amounted to HK\$0.8 million in the year ended 31 December 2019. All units of The Galaxy, except 1 unit of office, have been sold out and delivered.
- (b) The Star: All units of The Star, except 3 car parking spaces which are classified as investment properties, have been sold out and delivered. Revenue amounted to HK\$24.3 million was recognised in the year ended 31 December 2019.
- (c) The Rainbow: Major construction work was certified and completed in 2018 and the remaining minor alterations and additions works were completed in 2019. Completion and delivery of 7 units amounted to approximately HK\$85.5 million in the year ended 31 December 2019.

- (d) Yuen Long Site Project: The Remaining Group intends to redevelop it into a residential complex with some shops on ground floor. This project is positioned as a luxury and stylish condominium residential complex targeting at young residents pursuing high quality and design driven lifestyle. The Remaining Group has obtained town planning approval from the Town Planning Board in the second quarter of 2019, has submitted application for lease modification in the third quarter of 2019 to the Lands Department, and has obtained building plans approval in the February 2020 from the Buildings Department of the Hong Kong Special Administrative Region. The Remaining Group has completed the hoarding work and demolition work. Foundation work for the new redevelopment was started at the end of 2018. Upon the completion of the property redevelopment work, the Remaining Group intends to sell out the property to generate revenue.
- (e) Kwun Tong Site Project: The Remaining Group intends to redevelop it into a high end prestigious commercial building. Hoarding plans and demolition plans have already been approved by the Buildings Department of the Hong Kong Special Administrative Region, and demolition of the existing building commenced in the third quarter of 2019. The Remaining Group has submitted town planning application in the fourth quarter of 2019. Upon the completion of the property redevelopment work, the Remaining Group intends to sell out the property to generate revenue.
- (f) Tack Lee Project: The Remaining Group intended to carry out alteration and additions work to upgrade the industrial building. The Remaining Group has entered into a termination agreement to terminate the last tenancy contract of the building in July 2019. In light of the new initiatives of the revitalization of industrial building announced in the Policy Address by the Chief Executive in the fourth quarter of 2018, the Remaining Group is going to redevelop and reconstruct a new building at the site. Demolition of the existing building was commenced in the third quarter of 2019 and it is scheduled to be completed in the first quarter of 2020. The Remaining Group has submitted town planning application to the Town Planning Board for minor relaxation of plot ratio in the third quarter of 2019. Upon the completion of the property redevelopment work, the Remaining Group intends to sell out the property to generate revenue.
- (g) Seongsu Project: The site is located in Seongsu area of Seoul, South Korea and the Remaining Group intends to redevelop the existing two storey building into a high end prestigious commercial building. In the past few years, Seongsu area has been rapidly transformed from an industrial district comprised of old factories and warehouses into a commercial district that attracted the young generation and entrepreneurs. The building was acquired together with one tenant and the Remaining Group has entered into a termination agreement with the tenant to vacant the building in September 2019. Building plan approval has already been obtained from the relevant government department of South Korea. The Remaining Group is in the tendering process to finalize the selection of construction company for the project. Upon the completion of the property redevelopment work, the Remaining Group intends to sell out the property to generate revenue.

- (h) Sausage Project: The Remaining Group acquired the site which is located in the Seongsu area of Seoul, South Korea in the first half of 2019. The site does not have any building on it and the Remaining Group intends to develop it into a high end prestigious commercial building. Building plan approval has already been obtained from the relevant government departments of South Korea. The Remaining Group is in the tendering process to finalize the selection of construction company for the project. Together with Seongsu Project, they would be regarded as a landmark for the Remaining Group in the Seongsu area. Upon the completion of the property redevelopment work, the Remaining Group intends to sell out the whole building to generate revenue.

In the year of 2019, the Remaining Group has taken a more conservative approach to monitor the market condition and concentrate on development of the existing projects. Going forwards, the Remaining Group will continue to pay ongoing attention to the latest property market in Hong Kong and worldwide to ensure the Remaining Group would be able to capture the best development opportunities.

#### *Property Investment*

As at 31 December 2019, the total carrying value of the Remaining Group's portfolio of investment properties, amounted to approximately HK\$52.0 million, which comprised of 3 car parking spaces located in Hong Kong, under The Star, with a total carrying value of approximately HK\$5.0 million; and 2 units of an industrial building, which was newly acquired in October 2019, located in Hong Kong with a total carrying value of approximately HK\$47.0 million.

Revenue recognised in this business segment during the year amounted to approximately HK\$0.5 million, representing a decrease of approximately HK\$0.2 million over last year. The decrease in gross rental income was mainly due to sales of car parking spaces during the period. In addition to the 2 newly acquired industrial building units in October 2019 as disclosed above, the Remaining Group would continue to increase the proportion of investment property for rental and capital appreciation to generate more stable rental income.

#### *Provision of Property Management Services*

The Remaining Group used to provide the property management services for our three completed projects, The Galaxy, The Star and The Rainbow, by appointing Jones Lang Lasalle Management Services Ltd. as the management agent. In order to enhance the services quality and better serve the end users, the Remaining Group took back the property management services from Jones Lang Lasalle Management Services Ltd. in the third quarter of 2019. Revenue recognised in this business segment during the year amounted to approximately HK\$2.7 million, the Remaining Group expects this segment of business to be expanded as the increase of its upcoming completed projects and provision of services to other property owners or developers.

*Provision of Finance*

The Remaining Group is operating in this business segment to provide credit facilities to individuals and corporations clients for its own development projects. Revenue generated from this business segment during this year amounted to approximately HK\$7.0 million, representing an increase of approximately HK\$4.3 million over the corresponding period last year. The increase in revenue was mainly attributable to providing credit facilities for the completed projects, The Star and The Rainbow. Segment results for the year amounted to approximately HK\$1.9 million. The Remaining Group expects this business segment will continue to grow healthily under the continuous tightening of mortgage lending policy in Hong Kong and as the increase of our completed projects.

*Liquidity and Financial Resources*

The total equity of the Remaining Group as at 31 December 2019 was approximately HK\$712.5 million. As at 31 December 2019, the Remaining Group maintained bank balances and cash of approximately HK\$62.0 million. The Remaining Group's net current assets of approximately HK\$487.7 million as at 31 December 2019. The Remaining Group had current assets of approximately HK\$2,904.7 million as at 31 December 2019. The increase of current assets was mainly due to an increase in property held for sales under development as well as the new development project disclosed in above Property Development segment. The Remaining Group had current liabilities of approximately HK\$2,417.0 million as at 31 December 2019. The increase of current liabilities was mainly due to an increase in bank borrowings and short-term loan from a director.

The Remaining Group generally finances its operations with internally generated cashflow and bank borrowings. As at 31 December 2019, the Remaining Group had outstanding bank borrowings of approximately HK\$2,190.0 million. The bank borrowings as at 31 December 2019 were secured by the Remaining Group's properties, pledged bank deposits and corporate guarantee.

The Remaining Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as the total borrowings net of cash and cash equivalents divided by total equity) increased from approximately 255.6% as at 31 December 2018 to approximately 312.8% as at 31 December 2019 and increased from approximately 240.5% as at 31 December 2018 to approximately 304.1% as at 31 December 2019 respectively due to the increase in bank borrowings and decrease in equity attributable to owners of the Company.

The Remaining Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) increased from approximately 63.9% as at 31 December 2018 to approximately 69.2% as at 31 December 2019 due to an increase in bank borrowings and short-term loan from a director.

The Remaining Group's capital commitment as at 31 December 2019 amounted to approximately HK\$99 million. The decrease of capital commitment was mainly due to the completion of The Rainbow.

The Remaining Group has no significant contingent liabilities as at the end of the reporting period. The Remaining Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

The Remaining Group adopts a continuing monitoring approach towards financial management policy so that the financial resources are reviewed from time to time to ensure the Remaining Group's smooth operation and loan repayment obligations. Therefore, the management of the Remaining Group is of the opinion that the Remaining Group's financial structure and resources are healthy and sufficient for meeting its needs on operation, potential investment and to cope with market changes.

#### *Foreign Exchange*

The Remaining Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Remaining Group's primary foreign exchange exposure arises from its property developments in South Korea which are denominated in United States dollars and Korean Won. The Remaining Group acquired 2 sites in South Korea as disclosed under Property Development section and the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in US dollars and Korean won.

As at 31 December 2019, offshore borrowings were approximately Korean Won 17 billion, which is approximately HK\$114.3 million, for the acquisition of 2 sites in South Korea. The offshore borrowings of bridging loan will be replaced by offshore construction loan and is expected to be repaid after the completion and disposal of South Korea Project. The finance cost remains low at approximately 3.5% as at 31 December 2019.

The Remaining Group is not subject to a significant foreign currency risk as the revenue, expenses and borrowings of the Remaining Group's foreign operating subsidiaries are denominated in the functional currencies of those operations. Foreign currency funding and deposit exposure are monitored on a continuous basis. Exposure arising from the Remaining Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency. The management of the Remaining Group is of the opinion that the Remaining Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the reporting period. Therefore, the Remaining Group does not engage in any hedging activities.

#### *Pledge of Assets*

As at 31 December 2019, the Remaining Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK\$52.0 million and HK\$2,563.9 million as well as HK\$10.3 million respectively were pledged to secure the Remaining Group's banking facilities.

*Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets*

On 3 May 2019, Ritzy Soar Limited, an indirect wholly owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Celinal Limited and West Coast International Limited, pursuant to which Ritzy Soar Limited agreed to acquire, and the Celinal Limited and West Coast International Limited agreed to sell, all the issued shares of Palico Development Limited and the vendors' loan advance owing by Palico Development Limited to the Celinal Limited and West Coast International Limited and their respective associates (if any) as at 31 October 2019 at an aggregate consideration of HK\$49,380,000 ("**Palico Development Acquisition**"). Please refer to the announcement of the Company dated 3 May 2019 for details of the Palico Development Acquisition. The Palico Development Acquisition was completed on 31 October 2019.

On 24 January 2020, the Company (as purchaser) and Metropolitan Lifestyle (BVI) Limited (as vendor) entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire, and Metropolitan Lifestyle (BVI) Limited conditionally agreed to sell, the entire issued share capital of Metropolitan Group (BVI) Limited and all obligations, liabilities and debts owing or incurred by Metropolitan Group (BVI) Limited and its subsidiaries at an aggregate consideration of HK\$420,000,000. Metropolitan Lifestyle (BVI) Limited is indirectly held as to 100% by Mr. Chan Man Fai Joe. Please refer to the announcement of the Company dated 24 January 2020 and the circular of the Company dated 27 March 2020 for details. As at the Latest Practicable Date, the acquisition has not yet been completed.

Save (a) for the Disposal; and (b) as disclosed in this Circular, (i) there were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the year ended 31 December 2019; and (ii) the Remaining Group did not have other plans for material investments or capital assets as of 31 December 2019.

*Employees and Remuneration Policy*

As at 31 December 2019, the Remaining Group employed 22 employees and appointed 8 Directors. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to individual performance, working experience, qualification and the current relevant industry practices. Apart from base salary and statutory provident fund scheme, discretionary bonus and share options may be granted to selected staff by reference to the Remaining Group's as well as the individual's performances. Other forms of benefits such as on-the-job and external training to staff are also provided. The Remaining Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Remaining Group maintains a good relationship with its employees.



*Prospect*

In the second half of 2019, US-Sino trade war together with the social actions and unrest took a hit on the business environment and tourism in Hong Kong. As such, the year-end residential price indicated by Centa-City Index had dropped by about 6.8% from the record high in 2019. However, the Hong Kong residential market is resilient fueled by the deal made between America and China coming down to the trade dispute so that about 4% price increase in the residential market is recorded in the whole year of 2019.

Nevertheless, the outbreak of COVID-19 in China and its spreading is further dampening the weakened retail market and economy of Hong Kong, so does the Hong Kong property market, in particular the retail sector. The gloom and mourning in food and beverage as well as tourist industry are widespread. After all, we are not pessimistic about the property market in the following reasons.

First off, according to World Health Organization, this Coronavirus is the same family as SARS-CoV which struck the economy of Hong Kong after its outbreak in 2003. However, the SARS-CoV becomes a very rare disease if not none after the settlement of the epidemic in 2003. As such, we believe the epidemic of this Coronavirus is short term in nature and will be controlled or even ended in couples of months. Secondly, as this epidemic is getting the economy of China burnt, we believe the Government of China will take several measures in both monetary and fiscal policies such as injecting capital into the financial market and increasing government expenditures to help the economy to bounce back from this crisis. Along the way, the pain in Hong Kong arising from this epidemic will be mitigated. Thirdly, the American together with other western countries have a high likelihood to maintain a relatively loosen monetary policies and keep the interest rate low or even lower in the middle of the epidemic happened in China. In turn, the property market in Hong Kong will be benefited and supported in some way.

Despite these uncertainties in the market, the Remaining Group is well prepared to face the challenges and try to stabilize the Remaining Group's income. We remain optimistic on the commercial and residential market in Hong Kong and will continue to strategically explore appropriate landbanks and related business when strategically possible.

Set out below are the financial information of the Target Company which comprises the statements of financial position of the Target Company as at 31 December 2017, 2018 and 2019 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years then ended (“**Financial Information**”). The Financial Information is extracted from (i) the statutory financial statements of the Target Company for the years ended 31 December 2017 and 31 December 2018 audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, who expressed an unmodified opinions on these statements on 15 May 2018 and 30 April 2019 respectively; and (ii) the statutory financial statements of the Target Company for the year ended 31 December 2019 audited by TIE & Co., Certified Public Accountants, Hong Kong, who expressed an unmodified opinion on 9 January 2020. The statutory financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards which is consistent to the accounting policies adopted by the Company as set out in the published annual reports for the respective years.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR EACH OF THE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019

	2017 HK\$	2018 HK\$	2019 HK\$
Other income	226	304	1,057
Administrative expenses	(2,689,264)	(190,057)	(234,730)
Finance costs	—	(6)	(1)
Loss before tax	(2,689,038)	(189,759)	(233,674)
Taxation	34,257	—	—
Loss and total comprehensive expense for the year	<u>(2,654,781)</u>	<u>(189,759)</u>	<u>(233,674)</u>

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017, 2018 AND 2019

	2017 <i>HK\$</i>	2018 <i>HK\$</i>	2019 <i>HK\$</i>
<b>Current Assets</b>			
Properties held for sale	482,204,750	528,289,694	587,076,847
Deposits	3,967	38,983	37,000
Amount due from immediate holding company	1	1	1
Amount due from a fellow subsidiary	—	—	43,906,328
Bank balances	34,282,582	1,183,094	248,181
	<u>516,491,300</u>	<u>529,511,772</u>	<u>631,268,357</u>
<b>Current Liabilities</b>			
Trade and other payables	680,999	3,256,230	17,218,729
Amount due to an intermediate holding company	196,801,170	186,171,170	214,691,930
Amounts due to fellow subsidiaries	27,992,482	12,595,482	12,595,482
Bank borrowings	294,000,000	330,662,000	390,169,000
	<u>519,474,651</u>	<u>532,684,882</u>	<u>634,675,141</u>
<b>Net Liabilities</b>	<u>(2,983,351)</u>	<u>(3,173,110)</u>	<u>(3,406,784)</u>
<b>Capital and Reserve</b>			
Share capital	1	1	1
Accumulated losses	<u>(2,983,352)</u>	<u>(3,173,111)</u>	<u>(3,406,785)</u>
	<u>(2,983,351)</u>	<u>(3,173,110)</u>	<u>(3,406,784)</u>

## STATEMENTS OF CHANGES IN EQUITY

FOR EACH OF THE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019

	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2017	1	(328,571)	(328,570)
Loss and total comprehensive expense for the year	—	(2,654,781)	(2,654,781)
At 31 December 2017	1	(2,983,352)	(2,983,351)
Loss and total comprehensive expense for the year	—	(189,759)	(189,759)
At 31 December 2018	1	(3,173,111)	(3,173,110)
Loss and total comprehensive expense for the year	—	(233,674)	(233,674)
At 31 December 2019	1	(3,406,785)	(3,406,784)

## STATEMENTS OF CASH FLOWS

FOR EACH OF THE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019

	2017 HK\$	2018 HK\$	2019 HK\$
<b>OPERATING ACTIVITIES</b>			
Loss before tax	(2,689,038)	(189,759)	(233,674)
Adjustments for:			
Interest income	(226)	(304)	(1,057)
Finance costs	—	6	1
Operating cash flows before movements in working capital	(2,689,264)	(190,057)	(234,730)
Increase in properties held for sale	(277,725,816)	(34,202,524)	(42,317,695)
Decrease (increase) in deposits	4,366	(35,016)	1,983
(Decrease) increase in trade and other payables	(2,162,144)	2,575,231	13,702,622
<b>CASH USED IN OPERATIONS</b>	<b>(282,572,858)</b>	<b>(31,852,366)</b>	<b>(28,847,820)</b>
Income tax paid	(164,221)	—	—
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(282,737,079)</b>	<b>(31,852,366)</b>	<b>(28,847,820)</b>
<b>INVESTING ACTIVITIES</b>			
Interest received	226	304	1,057
Advance to a fellow subsidiary	—	—	(43,906,328)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>226</b>	<b>304</b>	<b>(43,905,271)</b>
<b>FINANCING ACTIVITIES</b>			
Interest paid	(3,896,222)	(11,882,426)	(16,209,582)
Bank borrowings raised	294,000,000	36,662,000	59,507,000
Advance from a fellow subsidiary	4,616,984	500,000	—
Repayment to a fellow subsidiary	(71,937,000)	(15,897,000)	—
Advance from an intermediate holding company	93,717,000	19,870,000	28,520,760
Repayment to an intermediate holding company	—	(30,500,000)	—
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>316,500,762</b>	<b>(1,247,426)</b>	<b>71,818,178</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>33,763,909</b>	<b>(33,099,488)</b>	<b>(934,913)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>518,673</b>	<b>34,282,582</b>	<b>1,183,094</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances</b>	<b>34,282,582</b>	<b>1,183,094</b>	<b>248,181</b>

**NOTES TO THE FINANCIAL INFORMATION OF RAINBOW RED HOLDINGS LIMITED  
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2019****1. GENERAL**

Rainbow Red Holdings Limited (the “**Target Company**”) is a private limited company incorporated in Hong Kong and it was a wholly-owned subsidiary of Star Properties Group (Cayman Islands) Limited (the “**Company**”) which listed on the Main Board of The Stock Exchange of Hong Kong Limited. On 31 December 2019, 1 Plus 13 Investment Company Limited (the “**Purchaser**”), Inventive Rainbow Limited (the “**Vendor**”) (an indirect wholly-owned subsidiary of the Company) and the Company (as the guarantor) entered into the agreement (“**Agreement**”), pursuant to which (i) the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the entire issued share capital of the Target Company, and the shareholder’s loan, at the purchase price of HK\$980,000,000 (subject to adjustment); and (ii) the Company agreed to guarantee and procure the performance of all obligations of the Vendor under the Agreement. The disposal was completed at 9 January 2020.

The Target Company is engaged in the business of property development in Hong Kong.

The financial information contained in this circular does not constitute Target Company’s statutory financial statements for any of the years ended 31 December 2017, 2018 and 2019 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for all three years to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance.

The Target Company’s auditors for the respective years have reported on these financial statements. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

This financial information is presented in Hong Kong Dollar, which is the same as the functional currency of the Target Company.

**INTRODUCTION TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE  
REMAINING GROUP**

The following is the unaudited pro forma financial information of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the impact of the Disposal as if the Disposal had been taken place on 31 December 2019 for the preparation of unaudited pro forma consolidated statement of financial position; and on 1 January 2019 for the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2019 which has been extracted from the published annual report of the Company for the year ended 31 December 2019, as if the Disposal had been completed on 31 December 2019 and adjusted to reflect the effect of the Disposal that are (i) directly attributable to the Disposal and (ii) factually supportable. The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss and other comprehensive income of the Group and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019, respectively, which have been extracted from the published annual report of the Company for the year ended 31 December 2019, as if the Disposal had been completed on 1 January 2019, and adjusted to reflect the effect of the Disposal that are (i) directly attributable to the Disposal and (ii) factually supportable.

As the unaudited pro forma financial information of the Remaining Group was prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position, financial performance and cash flows of the Remaining Group had the Disposal been completed as at the respective dates to which it is made up to or at any future date.



**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 31 December 2019*

	<b>The Group</b> <i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Notes 2)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<b>Pro forma total for the Remaining Group</b> <i>HK\$'000</i>
<b>Non-current Assets</b>				
Plant and equipment	784	—	—	784
Right-of-use assets	1,367	—	—	1,367
Investment properties	52,000	—	—	52,000
Loan receivables	164,766	—	—	164,766
Financial assets at fair value through profit or loss	6,119	—	—	6,119
	<u>225,036</u>	<u>—</u>	<u>—</u>	<u>225,036</u>
<b>Current Assets</b>				
Properties held for sale	3,153,060	(587,077)	—	2,565,983
Trade and other receivables	32,608	—	—	32,608
Financial assets at fair value through profit or loss	460	—	—	460
Stakeholder's accounts	6,066	—	—	6,066
Pledged bank deposits	10,257	—	—	10,257
Bank balances and cash	62,276	572,612	(385,000)	249,888
	<u>3,264,727</u>	<u>(14,465)</u>	<u>(385,000)</u>	<u>2,865,262</u>
<b>Current Liabilities</b>				
Trade and other payables	104,253	(17,219)	—	87,034
Contract liabilities	293	—	—	293
Amount due to a director	39,000	—	—	39,000
Tax liabilities	56,737	—	—	56,737
Borrowings	2,580,184	(390,169)	(385,000)	1,805,015
	<u>2,780,467</u>	<u>(407,388)</u>	<u>(385,000)</u>	<u>1,988,079</u>
<b>Net Current Assets</b>	<u>484,260</u>	<u>392,923</u>	<u>—</u>	<u>877,183</u>
<b>Total Assets less Current Liabilities</b>	<u>709,296</u>	<u>392,923</u>	<u>—</u>	<u>1,102,219</u>
<b>Non-current Liability</b>				
Deferred tax liabilities	177	—	—	177
<b>Net Assets</b>	<u>709,119</u>	<u>392,923</u>	<u>—</u>	<u>1,102,042</u>
<b>Capital and Reserves</b>				
Share capital	6,415	—	—	6,415
Reserves	699,742	392,923	—	1,092,665
Equity attributable to owners of the Company	706,157	392,923	—	1,099,080
Non-controlling interests	2,962	—	—	2,962
<b>Total Equity</b>	<u>709,119</u>	<u>392,923</u>	<u>—</u>	<u>1,102,042</u>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**
*For the year ended 31 December 2019*

	<b>The Group</b> <i>HK\$ '000</i> <i>(Note 1)</i>	<b>Pro forma adjustments</b>		<b>Pro forma total for the Remaining Group</b> <i>HK\$ '000</i>
		<i>HK\$ '000</i> <i>(Note 3a)</i>	<i>HK\$ '000</i> <i>(Note 3b)</i>	
<b>Revenue</b>				
Sales of properties and provision of property management services	112,473	—	—	112,473
Rental income from leasing of investment properties	474	—	—	474
Interest income from provision of finance	7,032	—	—	7,032
<b>Total revenue</b>	119,979	—	—	119,979
Cost of sales and services	(50,843)	—	—	(50,843)
Gross profit	69,136	—	—	69,136
Other income	8,315	(1)	—	8,314
Loss on change in fair value of investment properties	(2,597)	—	—	(2,597)
Loss on change in fair value of financial assets at fair value through profit or loss	(1,027)	—	—	(1,027)
Gain on disposal of a subsidiary	—	—	451,710	451,710
Selling expenses	(6,970)	—	—	(6,970)
Administrative expenses	(35,372)	235	—	(35,137)
Finance costs	(19,244)	—	—	(19,244)
Profit before tax	12,241	234	451,710	464,185
Income tax expense	(6,944)	—	—	(6,944)
Profit for the year	5,297	234	451,710	457,241
<b>Other comprehensive expense for the year</b>				
Item that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations	(1,808)	—	—	(1,808)
<b>Total comprehensive income for the year</b>	<b>3,489</b>	<b>234</b>	<b>451,710</b>	<b>455,433</b>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the year ended 31 December 2019*

	The Group		Pro forma adjustments			Pro forma total for the Remaining Group	
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 3a)</i>	<i>HK\$'000</i> <i>(Note 3b)</i>	<i>HK\$'000</i> <i>(Note 3c)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$'000</i> <i>(Note 5)</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>							
Profit before tax	12,241	234	451,710	—	—	—	464,185
Adjustments for:							
Depreciation of plant and equipment	358	—	—	—	—	—	358
Depreciation of right-of-use assets	455	—	—	—	—	—	455
Finance costs	19,244	—	—	—	—	—	19,244
Gain on disposal of plant and equipment	(4)	—	—	—	—	—	(4)
Loss on change in fair value of financial assets at fair value through profit or loss	1,027	—	—	—	—	—	1,027
Loss on change in fair value of investment properties	2,597	—	—	—	—	—	2,597
Gain on disposal of a subsidiary	—	—	(451,710)	—	—	—	(451,710)
Interest income earned on bank balances	(434)	1	—	—	—	—	(433)
Operating cash flows before movements in working capital	35,484	235	—	—	—	—	35,719
Decrease in loan receivables	30,215	—	—	—	—	—	30,215
Increase in trade and other receivables	(2,370)	(2)	—	—	—	—	(2,372)
Decrease in contract costs	301	—	—	—	—	—	301
Increase in properties held for sale	(171,434)	42,318	—	(15,282)	—	—	(144,398)
Decrease in stakeholder's accounts	32,811	—	—	—	—	—	32,811
Increase in trade and other payables	8,453	(13,703)	(3,256)	—	—	—	(8,506)
Decrease in contract liabilities	(399)	—	—	—	—	—	(399)
Cash used in operations	(66,939)	28,848	(3,256)	(15,282)	—	—	(56,629)
Income tax paid	(24,148)	—	—	—	—	—	(24,148)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(91,087)</b>	<b>28,848</b>	<b>(3,256)</b>	<b>(15,282)</b>	<b>—</b>	<b>—</b>	<b>(80,777)</b>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	The Group		Pro forma adjustments				Pro forma total for the Remaining Group
	HK\$ '000 (Note 1)	HK\$ '000 (Note 3a)	HK\$ '000 (Note 3b)	HK\$ '000 (Note 3c)	HK\$ '000 (Note 4)	HK\$ '000 (Note 5)	HK\$ '000
<b>INVESTING ACTIVITIES</b>							
Purchase of plant and equipment	(680)	—	—	—	—	—	(680)
Proceeds from disposal of plant and equipment	17	—	—	—	—	—	17
Cash outflow from acquisition of a subsidiary	(49,380)	—	—	—	—	—	(49,380)
Proceeds from disposal of investment properties	8,253	—	—	—	—	—	8,253
Purchase of financial assets							
at fair value through profit or loss	(1,014)	—	—	—	—	—	(1,014)
Proceeds from refund of financial assets							
at fair value through profit or loss	24	—	—	—	—	—	24
Placement of pledged bank deposits	(142)	—	—	—	—	—	(142)
Interest received from bank	434	(1)	—	—	—	—	433
Net cash inflow from disposal of a subsidiary	—	—	980,000	—	—	—	980,000
Advance to the Remaining Group	—	43,906	—	—	—	(43,906)	—
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(42,488)</b>	<b>43,905</b>	<b>980,000</b>	<b>—</b>	<b>—</b>	<b>(43,906)</b>	<b>937,511</b>
<b>FINANCING ACTIVITIES</b>							
Borrowings raised	675,968	(59,507)	—	(110,000)	—	—	506,461
Repayments of borrowings	(456,111)	—	(330,662)	82,000	(357,000)	—	(1,061,773)
Repayments of lease liabilities	(1,822)	—	—	—	—	—	(1,822)
Advance from a director	79,000	—	—	—	—	—	79,000
Repayment to a director	(40,000)	—	—	—	—	—	(40,000)
Capital contribution from							
non-controlling interests	1,726	—	—	—	—	—	1,726
Proceeds from issue of shares	10,723	—	—	—	—	—	10,723
Interest paid	(95,200)	16,210	—	15,282	—	—	(63,708)
Dividends paid	(99,432)	—	—	—	—	—	(99,432)
Advance from the Remaining Group	—	(28,521)	—	—	—	28,521	—
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>74,852</b>	<b>(71,818)</b>	<b>(330,662)</b>	<b>(12,718)</b>	<b>(357,000)</b>	<b>28,521</b>	<b>(668,825)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>							
	(58,723)	935	646,082	(28,000)	(357,000)	(15,385)	187,909
Effect of foreign exchange rate changes	(370)	—	—	—	—	—	(370)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>121,369</b>	<b>(1,183)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>121,369</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>							
represented by bank balances and cash	62,276	(248)	646,082	(28,000)	(357,000)	(15,385)	308,908

*Notes:*

- 1 The figures are extracted from the Group's consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2019 as set out in the published annual report of the Company for the year ended 31 December 2019.
- 2 The adjustment represents the exclusion of carrying amounts of assets and liabilities of the Target Company as at 31 December 2019, assuming the Disposal had taken place on 31 December 2019 and pro forma gain on the Disposal as if the Disposal, for pro forma purpose, had been completed on 31 December 2019. The assets and liabilities of the Target Company are extracted from the financial information of the Target Company as set forth in Appendix II to this Circular.

	<i>HK\$ '000</i>
Calculation of pro forma gain on the Disposal:	
Consideration received	980,000
Carrying value of net liabilities value of Target Group as at 31 December 2019	3,407
Deemed contribution from the Target Company ( <i>note i</i> )	285
Assignment of shareholder's loan ( <i>note ii</i> )	(590,769)
	392,923
Gain on disposal	392,923
Cash received upon the Disposal	980,000
Less: settlement of external debt ( <i>note ii</i> )	(407,388)
	572,612

The gain or loss on the Disposal is subject to changes at the actual date of completion. The adjustment is not expected to have a continuing effect on the Remaining Group.

*Notes:*

- i. It represents the impact of assets transferred from the Target Company to the Remaining Group, assuming it had taken place on 31 December 2019 and is based on the carrying amounts as recorded in the statement of financial position of the Target Company as at 31 December 2019. Details of the assets being transferred are as follows:

	<i>HK\$ '000</i>
Assets transferred to the Remaining Group	
Trade and other receivables	37
Bank balances and cash	248
	285
Deemed contribution from the Target Company	285

- ii. The amounts of all debts and liabilities of the Target Company to external third parties were settled prior to the completion of the Disposal as part of cash consideration and the current accounts with the Remaining Group are offset and become shareholder's loan, which will be settled upon the completion of the Disposal. The Target Company is liable to settle the shareholder's loan to the new shareholder.

	<i>HK\$ '000</i>
Trade and other payables	17,219
Borrowings	390,169
Amounts due to the Remaining Group (settled by cash consideration)	407,388
Amounts due to the Remaining Group before settlement of debt	227,287
Amount due from the Remaining Group	(43,906)
Assignment of shareholder's loan	590,769

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss and comprehensive income and consolidated statement of cash flows, assuming the Disposal had been completed on 1 January 2019.

- (a) The adjustment represents the exclusion of operating results and cash flows of the Target Company for the year ended 31 December 2019, assuming the Disposal had been completed on 1 January 2019, which is extracted from the financial information of the Target Company as set forth in Appendix II to this Circular.
- (b) The adjustment represents the pro forma gain on the Disposal as if the Disposal, for pro forma purpose, had been completed on 1 January 2019.

	<i>HK\$ '000</i>
Calculation of pro forma gain on the Disposal:	
Consideration received	980,000
Carrying value of net liabilities value of Target Group as at 1 January 2019	3,172
Deemed contribution from the Target Company ( <i>note i</i> )	1,222
Assignment of shareholder's loan ( <i>note ii</i> )	(532,684)
Gain on disposal	451,710
Cash received upon the Disposal	980,000
Less: settlement of external debts ( <i>note ii</i> )	(333,918)
	646,082

The gain or loss on the Disposal is subject to changes at the actual date of completion. The adjustment is not expected to have a continuing effect on the Remaining Group.

*Notes:*

- i. It represents the impact of assets transferred from the Target Company and the Remaining Group, assuming it had taken place on 1 January 2019 and is based on the carrying amounts as recorded in the statement of financial position of the Target Company as at 1 January 2019. Details of the assets being transferred are as follows:

	<i>HK\$ '000</i>
Assets transferred to the Remaining Group	
Trade and other receivables	39
Bank balances and cash	1,183
	1,222
Deemed contribution from the Target Company	1,222

- ii. The amounts of all debts and liabilities to external third parties were settled prior to the completion of the Disposal as part of cash consideration and the current accounts with the Remaining Group are offset and become shareholder's loan, which will be settled upon the completion of the Disposal. The Target Company is liable to settle the shareholder's loan to the new shareholder.

	<i>HK\$ '000</i>
Trade and other payables	3,256
Borrowings	330,662
	333,918
Amounts due to the Remaining Group (settled by cash consideration)	333,918
Amounts due to the Remaining Group before settlement of debt	198,766
Amount due from the Remaining Group	—
	532,684
Assignment of shareholder's loan	532,684

- (c) The adjustment represents the effect on the exclusion of the bank borrowings movement and the related interests. As the interest expenses of the Remaining Group amounting to approximately HK\$15,282,000 was paid and fully capitalised in properties held for sales, adjustment on excluding it from the consolidated statement of cash flows is made for pro forma purpose as no relevant bank borrowings would be drawn since 1 January 2019 due to reason set out in Note 4.
4. Pursuant to the terms of the Agreement, the Group shall repay the outstanding bank borrowings amounting to HK\$775,169,000 (including bank borrowings of the Target Company of HK\$390,169,000 (note 2) and bank borrowings of the Remaining Group amounted to HK\$385,000,000) as at 31 December 2019 upon the Disposal for the bank borrowings. As at 1 January 2019, the relevant outstanding bank borrowings amounted of HK\$687,662,000 (including bank borrowings of the Target Company of HK\$330,662,000 and bank borrowings of the Remaining Group amounted to HK\$357,000,000).
5. The adjustment represents the reinstatement of the net amount due from and amount due to the Remaining Group by the Target Company being eliminated in the Group's consolidated statement of cash flows for the year ended 31 December 2019.
6. No other adjustment has been made to reflect any trading results nor other transaction of the Group entered into subsequent to 31 December 2019 for consolidated statement of financial position and 1 January 2019 for consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.
7. No adjustment has been made to reflect the transaction costs of the Disposal since the Directors considered that the amount involved will not be significant to the gain on the Disposal. The total transaction costs, including legal, accounting and other professional parties are estimated to be approximately HK\$800,000.

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF STAR PROPERTIES GROUP (CAYMAN ISLANDS) LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Star Properties Group (Cayman Islands) Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31 December 2019, the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 31 December 2019, the unaudited pro forma statement of cash flows for the year ended 31 December 2019 and related notes as set out on pages III-1 to III-8 of the circular issued by the Company dated 28 May 2020 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-8 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the very substantial disposal relating to the disposal of the Sale Share of the Target Company and the Shareholder's Loan (the “**Disposal**”) on the Group's financial position as at 31 December 2019 and the Group's financial performance and cash flows for the year ended 31 December 2019 as if the Disposal had taken place at 31 December 2019 and 1 January 2019, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for year ended 31 December 2019, on which an auditor's report has been published.



**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 or 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong,

28 May 2020

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Prudential Surveyors (Hong Kong) Limited, an independent valuer, in connection with its valuation of the property interest of the Subject Property as at 28 February 2020.*



28 May 2020

The Board of Directors  
**Star Properties Group (Cayman Islands) Limited**  
11th Floor, TG Place  
No. 10 Shing Yip Street  
Kwun Tong  
Kowloon

Dear Sir/Madam,

**Re: Valuation of a parcel of land in Section A of Lot No. 303 in Demarcation District No. 355, Tsuen Wan, New Territories, Hong Kong**

In accordance with the instructions from **Star Properties Group (Cayman Islands) Limited** (hereinafter referred to as the “**Company**”) for us to carry out a valuation of the captioned property (hereinafter referred to as the “**Subject Property**”) contracted to be disposed of by the Company and/or its subsidiaries (together referred to as the “**Group**”) located in Hong Kong, we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Subject Property as at 28 February 2020 (hereinafter referred to as the “**Date of Valuation**”).

This letter, forming part of our valuation report, identifies the Subject Property being valued, explains the basis and methodologies of our valuation, and lists out the assumptions and the title investigation we have made in the course of our valuation, as well as the limiting conditions.

**BASIS OF VALUATION**

Our valuation of the property interest in the Subject Property is our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of the Subject Property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation has been carried out in accordance with “HKIS Valuation Standards 2017” issued by The Hong Kong Institute of Surveyors and the “International Valuation Standards (IVS)” published by the International Valuation Standards Council in 2020.

Our valuation has been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**VALUATION METHODOLOGIES**

In assessing the market value on redevelopment basis, we have considered the Direct Comparison Method and Residual Method. Direct Comparison Method is based on comparing the Subject Property to be valued directly with other comparable properties, which have transferred its legal ownership close to the date of valuation. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. Locational and economical characteristics are important criteria to be analysed when comparing such comparables against the Subject Property to be valued.

Residual Method is another means of valuing land with reference to its development potential by deducting development costs, interest and developer’s profit from its estimated gross development value. It relies upon a series of assumptions which produce an estimate of the expected current market value of a site being developed or held for development or redevelopment.

**VALUATION ASSUMPTIONS**

In valuing the property interests, we have assumed that the registered owner has free and uninterrupted rights to use or to assign the property interests for the whole of the unexpired term granted.

Our valuation has also been made on the assumption that the Subject Property is to be sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, or any similar arrangement that would serve to affect its value. No account has been taken of any option or right of pre-emption concerning or affecting the sale of the Subject Property and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amount owing on the Subject Property nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Subject Property is free from encumbrances, restrictions, and outgoings of an onerous nature that could affect its value.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation report.

**TITLE INVESTIGATION**

We have caused land searches to be made at the Land Registry and have been provided with extracts of title documents. We have been advised by the Company that no further relevant documents have been produced. However, we have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents have been used for reference only. No investigation has been made for the legal title or any liabilities attached to the Subject Property.

**LIMITING CONDITIONS**

We have inspected the exterior, and where possible, the interior of the Subject Property by Ms. Yates Wong (MRICS) on 25 March 2020. However, no structural survey has been made nor have any tests been carried out on any of the services provided in the Subject Property. We are, therefore, not able to report that the Subject Property is free from rot, infestation or any other structural defects. Yet, in the course of our inspection, we did not note any serious defects.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any redevelopment.

No detailed on-site measurements have been made during our inspection. Dimensions, measurements and areas included in the valuation report attached are based on information contained in the documents provided to us and are therefore approximations only.

Having reviewed all relevant documentation, we have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion date of buildings, particulars of occupancy, site and floor plans, floor areas and other relevant matters in the identification of the Subject Property in which the registered owner has valid interest. We have not seen original planning consents and have assumed that the Subject Property has been erected and are being occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied. We considered that we have been provided with sufficient information to reach an informed view and have no reason to suspect that any information has been withheld.

Except for the purpose of disclosure in the public circular to be issued by the Company in connection with the disposal of the Subject Property, neither the whole nor any part of this valuation report or any reference thereto may be included in any published document, circular or statement, nor published in any way whatsoever without the prior written approval of Prudential Surveyors (Hong Kong) Limited as to the form and context in which it may appear.

#### **DECLARATION**

We hereby certify, to the best of our knowledge and belief, that:—

- We are an external valuer, independent from the Company and the property owners, their subsidiaries and their jointly controlled entities (collectively, the “**Group**”) and their respective directors and controlling shareholder and that we do not have any direct or indirect material interests in the securities or assets of the Group, its connected persons, or any associate of the Group and we have no bias with respect to the parties involved.
- We have previous, current or anticipated involvement with the Company in respect of the Subject Property in the past 24 months from the date of instruction or date of agreement of the engagement, whichever is earlier.

**REMARKS**

We hereby confirm that we have neither present nor prospective interests in the Company, the Subject Property and the value reported herein.

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK\$).

We attach herewith our valuation report.

Yours faithfully,  
For and on behalf of  
PRUDENTIAL SURVEYORS (HONG KONG) LIMITED

**Leo S D Cheung**

*BSc MSc MFin EMBA FRICS FHKIS RPS(GP)*

*Director*

Mr. Leo S.D. Cheung is a Registered Professional Surveyor (GP) with about 20 years of post-qualification experience in valuation of properties in the HKSAR, Macau, mainland China and the Asia Pacific Region. Mr. Cheung is a Fellow of The Royal Institution of Chartered Surveyors and a Fellow of The Hong Kong Institute of Surveyors.

*The address of the valuer is 3rd Floor, Tung Hip Commercial Building, Nos. 244-252 Des Voeux Road Central, Hong Kong*

## VALUATION REPORT ON SUBJECT PROPERTY

## Property interest to be held for sale

Subject Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at 28 February 2020 HK\$
A parcel of land in Section A of Lot No. 303 in Demarcation District No. 355, Tsuen Wan, New Territories, Hong Kong	<p>The Subject Property comprises a parallelogram shaped site with a site area of about 16,313 sq.ft. (or about 1,515.506 sq.m.) and a 19-storey commercial building erected over 4 levels of basement which are under construction (the “CIP”).</p> <p>The Subject Property is held under New Grant No. TW3666 for a term of 75 years commencing on 1 July 1898, renewable for a further term of 24 years, extended by the New Territories Leases (Extension) Ordinance 1988 until the expiry of 30 June 2047. The rent is \$415 per annum.</p>	<p>The Subject Property is currently under construction.</p> <p>Substructural works are in progress with steel hoardings erected.</p>	970,000,000

*Notes:*

1. The Subject Property is situated on the north-eastern side of Chai Wan Kok Street in that section between Castle Peak Road — Tsuen Wan and Pun Shan Street bordering Tom Lee Music Building on its east, Hing Fung Printing and Dyeing Factory Building on its north, CLP Power Hong Kong Limited Tsuen Wan Depot to its west.
2. The registered owner of the Subject Property is Rainbow Red Holdings Limited vide Memorial No. 14112402120165 dated 7 November 2014 (Remarks: Re S.A of Lot No. 303 in DD355).
3. The Subject Property is subject to the following encumbrances:—
  - i. Modification Letter (Remarks: Re S.A of Lot No. 303 in DD355) dated 13 March 1963 vide Memorial No. TW73822;
  - ii. Notice No. WNZ/U25-23/0001/08 by the Building Authority under Section 24C(1) of the Buildings Ordinance (Remarks: Re S.A of Lot No. 303 in DD355) dated 8 July 2009 vide Memorial No. 11071900990322;
  - iii. Building Mortgage in favour of Shanghai Commercial Bank Limited for all monies including but not limited to loan facilities of HK\$827,000,000 dated 15 September 2017 vide Memorial No. 17101002160088;
  - iv. Assignment of Rentals dated 15 September 2017 in favour of Shanghai Commercial Bank Limited vide Memorial No. 17101002160092;
  - v. Modification Letter with Plan (Remarks: from District Lands Officer, Tsuen Wan and Kwai Tsing Re S.A of Lot No. 303 in DD355) dated 4 October 2017 vide Memorial No. 17101300730017; and
  - vi. Deed Poll with Plan (Remarks: Re ss.1 and R.P.) dated 26 August 2019 vide Memorial No. 19083002190057



4. The Subject Property is situated within an area zoned “Other Specified Uses (Business)” under the Approved Tsuen Wan Outline Zoning Plan No. S/TW/33 approved on 28 April 2017. This zone is intended primarily for general business uses. According to the Remarks under Schedule of Uses of “OU”, no new development, or addition, alteration and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment in excess of the maximum plot ratio of 9.5 or the plot ratio of the existing building, whichever is the greater; and the development and/or redevelopment should not be in excess of 100m above Hong Kong Principal Datum, as stipulated on the Plan.
5. The use and development conditions of the Subject Property is governed by New Grant No. TW3666 and the modification letter dated 4 October 2017 vide Memorial No. 17101300730017.
6. The planned total gross floor area of the CIP will be approximately 14,397 sq.m. (or about 154,966 sq.ft.) upon completion. The estimated total construction cost is approximately \$691,000,000, of which approximately \$134,300,000 had been paid up to the Date of Valuation. The construction works of the CIP are scheduled to be completed in December 2020.
7. Our valuation assumes that the proposed building erected on the Subject Property will be completed as per the approved building plan dated 16 July 2019.
8. We, Prudential Surveyors (Hong Kong) Limited, as an independent valuer, have taken account of the content of such opinions which is in line with our valuation assumptions that the Subject Property was free from encumbrances, restrictions, and outgoings of an onerous nature that could affect its value and no allowance were made for mortgages nor any expenses or taxation that may be incurred in effecting a sale.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS

### (a) Directors' and chief executive's interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### *Long Positions in the Shares and underlying Shares*

Name of Directors/ chief executive	Number of Shares held (Beneficial owner/through controlled corporation)	Interests in share option (Note 2)	Other derivative interest in listed corporation	Total	Approximate percentage of shareholding in the Company (%) (Note 4)
Mr. Chan Man Fai Joe	434,640,800 (Note 1)	5,476,000	581,538,461 (Note 3)	1,021,655,261	159.26
Ms. Cheung Wai Shuen	300,000	6,099,200	—	6,399,200	1.00
Mr. Liu Hon Wai	—	4,899,200	—	4,899,200	0.76
Mr. Pong Kam Keung	—	2,136,000	—	2,136,000	0.33
Mr. Yim Kwok Man	—	627,200	—	627,200	0.10
Ms. Chan Wah Man Carman	156,000	471,200	—	627,200	0.10
Mr. Lee Chung Ming Eric	—	627,200	—	627,200	0.10

*Notes:*

1. Star Properties Holdings (BVI) Limited, a company incorporated in the BVI with limited liability, held 432,140,800 Shares as at the Latest Practicable Date. Star Properties Holdings (BVI) Limited is wholly-owned by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the Shares in which Star Properties Holdings (BVI) Limited is interested.
2. These represent the interests of share options granted to the Directors under the share option scheme adopted by the Company on 27 June 2016 to subscribe for Shares.
3. Metropolitan Lifestyle (BVI) Limited is indirectly held as to 100% by Mr. Chan Man Fai Joe. Metropolitan Lifestyle (BVI) Limited is interested in 581,538,461 Shares by virtue of the convertible bonds contemplated under the sale and purchase agreement dated 24 January 2020 entered into between Metropolitan Lifestyle (BVI) Limited and the Company in relation to the sale and purchase of the entire issued share capital of Metropolitan Group (BVI) Limited and shareholder's loan owing by Metropolitan Group (BVI) Limited and its subsidiaries ("**Acquisition Agreement**"). By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the Shares in which Metropolitan Lifestyle (BVI) Limited is interested.
4. These percentages were compiled based on the total number of issued Shares (i.e. 641,498,000 Shares) as at the Latest Practicable Date.

**(b) Directors and chief executive's interest and short position in debentures**

As at the Latest Practicable Date, the following Director had interests in the debentures issued by the Company:

Name of Director	Amount of debentures			Total	Approximate percentage to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interests	Family interests	Corporate Interests		
Chan Man Fai Joe	—	—	HK\$378,000,000	HK\$378,000,000	100%
				<i>(note)</i>	

*Notes:* The convertible bonds contemplated under the Acquisition Agreement will be issued to Metropolitan Lifestyle (BVI) Limited, which is indirectly held as to 100% by Mr. Chan Man Fai Joe, pursuant to the Acquisition Agreement.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(c) Substantial Shareholders' interests and short positions in Shares and underlying Shares**

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

***Long positions in the Shares or underlying Shares***

Name of Shareholder	Capacity	Number of Shares held	Interests in share option	Approximate percentage of shareholding in the Company (%) (Note 4)
Star Properties Holdings (BVI) Limited	Beneficial owner (Note 1)	432,140,800	—	67.36
Mr. Lam Kin Kok	Interest of controlled corporation (Note 2)	38,259,200	—	5.96
	Beneficial owner	1,408,000		0.22
Eagle Trend (BVI) Limited	Beneficial owner (Note 2)	38,259,200	—	5.96
Metropolitan Lifestyle (BVI) Limited	Beneficial owner (Note 3)	581,538,461	—	90.65

*Notes:*

1. Star Properties Holdings (BVI) Limited, a company incorporated in the BVI with limited liability, held 432,140,800 Shares as at the Latest Practicable Date. Star Properties Holdings (BVI) Limited is wholly-owned by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the Shares in which Star Properties Holdings (BVI) Limited is interested.
2. Eagle Trend (BVI) Limited, a company incorporated in the BVI with limited liability, held 38,259,200 Shares as at the Latest Practicable Date. Eagle Trend (BVI) Limited is wholly-owned by Mr. Lam Kin Kok. By virtue of the SFO, Mr. Lam Kin Kok is deemed to be interested in the shares in which Eagle Trend (BVI) Limited is interested.
3. Metropolitan Lifestyle (BVI) Limited is indirectly held as to 100% by Mr. Chan Man Fai Joe. Metropolitan Lifestyle (BVI) Limited is interested in 581,538,461 Shares by virtue of the convertible bonds contemplated under the Acquisition Agreement. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the Shares in which Metropolitan Lifestyle (BVI) Limited is interested.
4. These percentages were compiled based on the total number of issued Shares (i.e. 641,498,000 Shares) as at the Latest Practicable Date.
5. All the interests stated above represent long positions.

Saved as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was a substantial shareholder of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

**4. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS****(a) Interests in assets**

On 24 January 2020, the Company (as purchaser) and Metropolitan Lifestyle (BVI) Limited (as vendor) entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire, and Metropolitan Lifestyle (BVI) Limited conditionally agreed to sell, the entire issued share capital of Metropolitan Group (BVI) Limited and all obligations, liabilities and debts owing or incurred by Metropolitan Group (BVI) Limited and its subsidiaries at an aggregate consideration of HK\$420,000,000 (“**Acquisition**”). Metropolitan Lifestyle (BVI) Limited is indirectly held as to 100% by Mr. Chan Man Fai Joe. Please refer to the announcement of the Company dated 24 January 2020 and the circular of the Company dated 27 March 2020 for details of the Acquisition.

Save as disclosed, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date up to which the latest published audited consolidated financial statements of the Group was made), acquired or disposed of by, or leased to any member of the Group, or which were proposed to be acquired or disposed of by, or leased to any member of the Group.

**(b) Interests in contracts**

Save as contemplated under the Acquisition Agreement, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement which was significant in relation to the business of the Group.

**(c) Interests in competing business**

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## 5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the provisional sale and purchase agreement dated 3 May 2019 and entered into between Ritzy Soar Limited, an indirect wholly owned subsidiary of the Company, as purchaser, and Celinal Limited and West Coast International Limited, as vendors, in relation to the acquisition of the entire issued share capital of Palico Development Limited and the vendors' loan advance owing by Palico Development Limited to the Celinal Limited and West Coast International Limited and their respective associates (if any) as at 31 October 2019 at an aggregate consideration of HK\$49,380,000, details of which are disclosed in the announcement of the Company dated 3 May 2019;
- (b) the Agreement; and
- (c) the Acquisition Agreement dated 24 January 2020 and entered into between the Company (as purchaser) and Metropolitan Lifestyle (BVI) Limited (as vendor), pursuant to which the Company conditionally agreed to acquire, and Metropolitan Lifestyle (BVI) Limited conditionally agreed to sell, the entire issued share capital of Metropolitan Group (BVI) Limited and all obligations, liabilities and debts owing or incurred by Metropolitan Group (BVI) Limited and its subsidiaries at an aggregate consideration of HK\$420,000,000, details of which are disclosed in the announcement of the Company dated 24 January 2020 and the circular of the Company dated 27 March 2020.

## 6. LITIGATION AND CLAIMS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular (the “**Experts**”):

<b>Name</b>	<b>Qualifications</b>
Prudential Surveyors (Hong Kong) Limited	Independent property valuer
Deloitte Touche Tohmatsu	Certified Public Accountants Registered Public Interest Entity Auditors

Each of the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and/or opinion (as the case may be) and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above expert did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, each of the above expert did not have any direct or indirect interest in any assets which had been, since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any members of the Group.

Each of (i) the report of Deloitte Touche Tohmatsu on unaudited pro forma financial information of the Remaining Group; and (ii) the valuation report of Prudential Surveyors (Hong Kong) Limited is given as of the date of this circular for incorporation herein.

## **8. GENERAL**

- (a) The registered office of the Company is at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at 11/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.
- (c) The principal share registrar of the Company is Eстера Trust (Cayman) Limited, Clifton house, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (d) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The company secretary of the Company is Ms. Cheung Wai Shuen, who is an associate of The Institute of Chartered Secretaries and Administrators and admitted associate of The Hong Kong Institute of Chartered Secretaries.
- (f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistencies.



**9. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 11/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019;
- (c) the report on the unaudited pro forma financial information of the Remaining Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to this circular;
- (d) the property valuation report issued by Prudential Surveyors (Hong Kong) Limited, the text of which is set out in Appendix IV to this circular;
- (e) a copy of each of the material contracts referred to in the paragraph headed “Material contracts” in this Appendix (or where any of these contracts have not been reduced into writing, a memorandum giving full particulars thereof);
- (f) the consent letters referred to in the paragraph headed “Experts and consents” in this Appendix;
- (g) the circular of the Company dated 27 March 2020 in relation to the Acquisition; and
- (h) this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Star Properties Group (Cayman Islands) Limited

星星地產集團(開曼群島)有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1560)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Star Properties Group (Cayman Islands) Limited (the “Company”) will be held at 11/F, TG Place, No. 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, on 17 July 2020 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company, with or without amendments:

#### ORDINARY RESOLUTION

1. “**THAT:**

- (a) the sale and purchase agreement dated 31 December 2019 (the “**Agreement**”, a copy of which has been produced to the Meeting and initialed by the chairman of the Meeting (the “**Chairman**”) for identification purpose) entered into among Inventive Rainbow Limited (an indirect wholly-owned subsidiary of the Company) (“**Vendor**”), 1 Plus 13 Investment Company Limited (“**Purchaser**”) and the Company in relation to the sale and purchase of the entire issued share capital of Rainbow Red Holdings Limited (“**Target Company**”), and all such sum of money advanced by way of loan by the Vendor to the Target Company and due and owing by the Target Company to the Vendor as at completion, at the aggregate purchase price of HK\$980,000,000 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one director of the Company be and is/are hereby authorised to do all such acts and things as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement and the transactions contemplated thereunder.”

Yours faithfully,  
For and on behalf of the Board of  
**Star Properties Group (Cayman Islands) Limited**  
**Chan Man Fai Joe**  
*Executive Director*

Hong Kong, 28 May 2020

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. In order to determine the list of Shareholders who will be entitled to attend and vote at the meeting, the register of members of the Company will be closed from 14 July 2020 to 17 July 2020 (both days inclusive) during which period no transfer of shares will be effected. Shareholders whose names appear on the register of members of the Company on 13 July 2020 shall be entitled to attend and vote at the meeting. In order for the shareholders to qualify for attending and voting at the meeting, all transfer documents, accompanied by the relevant share certificates, should be lodged for registration with Tricor Investor Service Limited, the Company's share registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, on or before 4:30 p. m., 13 July 2020.
2. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company. A form of proxy for use at the meeting is enclosed herewith.
3. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's share registrar, Tricor Investor Service Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
5. Delivery of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned and, in such event, the instrument appointing a proxy will be deemed to be revoked.
6. As required under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited, the above resolution will be voted by way of poll.