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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL

THE DISPOSAL

On 3 March 2021 (after trading hours), the Vendor, an indirect wholly owned subsidiary of the Company, entered into the Provisional Agreement with the Purchaser, pursuant to which (i) if the Property Procurement Option has not been exercised, the Vendor has agreed to sell and assign, and the Purchaser has agreed to purchase and take up an assignment of, the Sale Shares and the Sale Debt; or (ii) if the Property Procurement Option has been exercised, the Vendor has agreed to procure the Target Company to sell, and the Purchaser has agreed to purchase, the Property, at the Purchase Price of HK\$51,750,000 (subject to adjustment).

Upon Completion, if the Property Procurement Option has not been exercised, the Vendor will cease to hold any shares in the Target Company. As the Target Company will cease to be a subsidiary of the Vendor, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company and its financial statements will cease to be consolidated into the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the entering into of the Provisional Agreement and the Disposal contemplated thereunder constitute a discloseable transaction of the

Company and is subject to the reporting and announcement requirements but are exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As Completion of the Disposal is subject to the satisfaction of certain conditions precedent set out in the Provisional Agreement, the Disposal may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

The Board is pleased to announce that on 3 March 2021 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Provisional Agreement, pursuant to which (i) if the Property Procurement Option has not been exercised, the Vendor has agreed to sell and assign, and the Purchaser has agreed to purchase and take up an assignment of, the Sale Shares and the Sale Debt; or (ii) if the Property Procurement Option has been exercised, the Vendor has agreed to procure the Target Company to sell, and the Purchaser has agreed to purchase, the Property, at the Purchase Price of HK\$51,750,000 (subject to adjustment).

THE PROVISIONAL AGREEMENT

The principal terms of the Provisional Agreement are set out below:

Date

3 March 2021 (after trading hours)

Parties

- (1) Ritzy Soar Limited, as vendor
- (2) the Purchaser, an Independent Third Party

Assets to be disposed of

If the Property Procurement Option has not been exercised, the assets to be disposed of by the Vendor comprise of the Sale Shares, representing the entire issued share capital of the Target Company legally and beneficially owned by the Vendor, and the Sale Debt with all the benefit thereof together with all right attached thereto free from all encumbrances and third party rights; or if the Property Procurement Option has been exercised, the assets to be disposed of comprise of the Property which is owned by the

Target Company.

Property Procurement Option

The Purchaser may exercise the Property Procurement Option by giving written notice to the Vendor's solicitors or the Vendor no later than 10 May 2021. If the Property Procurement Option is not exercised before the expiration of 10 May 2021, the Property Procurement Option shall be deemed as waived by the Purchaser and the Purchaser shall be deemed conclusively as having been fully satisfied with the due diligence of the Target Company.

Purchase Price

Pursuant to the Provisional Agreement, the total Purchase Price of HK\$51,750,000 will be payable by the Purchaser to the Company in the manner as follows: -

- (a) an Initial Deposit in the sum of HK\$2,587,500 shall be paid upon signing of the Provisional Agreement;
- (b) a Further Deposit in the sum of HK\$2,587,500 shall be paid on or before 17 March 2021;
- (c) an Additional Deposit in the sum of HK\$2,587,500 shall be paid if, in not less than fourteen (14) working days prior to 5 July 2021, the Purchaser gives written notice to the Vendor's solicitors or the Vendor to delay Completion Date to 3 September 2021; and
- (d) the Balance of the Purchase Price in the sum of HK\$46,575,000, or, if the Additional Deposit has been paid, in the sum of HK\$43,987,500 shall be paid on the Completion Date.

The Initial Deposit, the Further Deposit and the Additional Deposit (if applicable) shall be paid to the Vendor's solicitor as stakeholders who shall not release the same to the Vendor until the mortgagee bank of the Property has confirmed that the Balance of Purchase Price is sufficient to discharge the existing mortgage of the Company (if applicable).

The Purchase Price was determined after arm's length negotiations among the parties to the Provisional Agreement taking into account (a) the net asset value of the Target Company of approximately HK\$49,430,589 as shown in the audited financial statement of the Target Company as at 31 December 2020; (b) the prevailing market price of the Property of similar nature available in the localities; and (c) the reasons for the Disposal as set out in the section headed "Reasons for and Benefits of the Disposal" in this Announcement.

Having considered the above factors, the Directors (including the independent non-executive Directors) consider that the Purchase Price, which was arrived at after arm's length negotiations and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Disposal shall be subject to and conditional (unless the same has been waived by the Purchaser) on: -

- (a) (applicable only if the Property Procurement Option has not been exercised) the Vendor having provided to the Purchaser for due diligence on the financial of the Target Company covering the period of seven (7) years immediately prior to the date of the Provisional Agreement and all legal aspects of the Target Company covering the period of ten (10) years immediately prior to the date of the Provisional Agreement and any legal aspects in respect of Sale Shares since the date of incorporation;
- (b) the Company, shall at the Company's own cost, procure 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);
- (c) (applicable only if the Property Procurement Option has not been exercised) the Target Company shall not enter into any transaction except in the ordinary course of business (which is to hold, maintain and manage the Property) or as contemplated by the Provisional Agreement without the prior written consent of the Purchaser (which consent of the Purchaser shall not be unreasonably withheld or delayed);
- (d) (applicable only if the Property Procurement Option has not been exercised) all the representatives, undertakings and warrants given by the Vendor under the Provisional Agreement shall remain true, accurate, correct in all material respects up to Completion; and
- (e) (applicable only if the Property Procurement Option has not been exercised) the Vendor shall at the cost of the Purchaser provide a legal opinion in a form acceptable to the Purchaser to the effect that the Vendor has the legal capacity to sell the Sale Shares and to assign the Sale Debt to the Purchaser, and the said sale and assignment shall be duly executed under the law of the jurisdiction in which the Vendor is incorporated (i.e. the British Virgin Islands).

If any of the foregoing conditions precedent is not fulfilled (or waived by the Purchaser) on or before the Completion Date, the Purchaser shall be entitled to cancel the transaction under the Provisional

Agreement whereupon the Initial Deposit, Further Deposit and the Additional Deposit (if paid) shall be returned by the Vendor or the Vendor's solicitors to the Purchaser forthwith and neither party should have any claim against the others for any reliefs under the Provisional Agreement.

Without prejudice to the Purchaser's right to give notice to cancel the transaction under the Provisional Agreement pursuant to the preceding paragraph, if the Purchaser shall fail to complete (if the Property Procurement Option has not been exercised) the purchase of the Sale Shares and Sale Debt, or (where the Property Procurement Option has been exercised) the purchase of the Property in each case in accordance with the terms of the Provisional Agreement, the Vendor shall be entitled to terminate the Provisional Agreement and forfeit the Initial Deposit, the Further Deposit, and (if paid) the Additional Deposit absolutely as liquidated damages, and then sell the Sale Shares and the Sale Debt to anyone at its absolute discretion provided that the Vendor shall not take any further action to claim for damages or to enforce specific performance.

After payment of the Initial Deposit, the Further Deposit and (if paid) the Additional Deposit by the Purchaser to the Vendor, and without prejudice to the Purchaser's right at the above paragraph, if (where the Property Procurement Option has not been exercised) the Vendor failing to complete the sale of the Sale Shares and Sale Debt, or (where the Property Procurement Option has been exercised) the Vendor failing to procure the sale of the Property in each case in accordance with the terms of the Provisional Agreement, the Purchaser shall be entitled to apply to the Court for an order to enforce the specific performance of the Provisional Agreement and/or to obtain an injunction order to restrain the Target Company from alienation of the Property during the period pending adjudication of the Court.

Formal Agreement

Pursuant to the Provisional Agreement, the Formal Agreement shall be signed on or before 25 May 2021. In the event that the Vendor and the Purchaser shall fail to reach agreement on the terms of the Formal Agreement on or before the aforesaid date, the Provisional Agreement shall remain valid and of full force and effect and the parties hereto shall continue to fulfill their respective obligations hereunder.

Completion

Completion of the Disposal shall take place on the Completion Date (or such later date as the Vendor and the Purchaser may agree in writing).

INFORMATION ON THE PARTIES, THE TARGET COMPANY AND THE PROPERTY

The Company and the Vendor

The Company 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 British Virgin Islands and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

The Purchaser

The Purchaser is a company incorporated in Bermuda with limited liability and is principally engaged in telecom business. Its issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0524). As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

The Property

The Property is located at Units Nos. 4 and 6 on 11th Floor of Block A, Sea View Estate, No.2 Watson Road, Hong Kong. The Property is an industrial property with a gross area of approximately 5,430 square feet. It will be delivered subject to the existing tenancy agreement.

Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in property holding and property leasing business. The Target Company is beneficially wholly owned by the Vendor and its principal asset is the Property.

Financial information of the Target Company

The Target Company was incorporated on 18 November 1993. It entered into of the agreement for sale and purchase of the Property with the previous owner of the Property on 15 March 1994 for leasing.

Set out below is the extracts of the audited financial information of the Target Company for the years ended 31 December 2019 and 31 December 2020:

	For the Year ended 31 December 2019 (HKD)	For the Year ended 31 December 2020 (HKD)
Revenue and other income	1,609,350	1,215,100
Gain on change in fair value of investment property	31,141,880	3,000,000
Net profit before tax	31,699,788	2,993,919
Net profit after tax	31,691,023	2,957,360
Net assets	46,473,229	13,430,589

FINANCIAL EFFECT OF THE DISPOSAL

Subject to audit, the estimated gain arising from the Disposal is expected to be HKD2,023,812, which is determined with reference to the difference between the Purchase Price (subject to adjustment) and the aggregate of (a) the audited net asset value of the Target Company as at 31 December 2020; and (b) the estimated expenses and outgoings in connection with the Disposal.

Shareholders should note that the financial effect set out in the above is for illustrative purpose only. The actual amount of gain or loss as a result of the Disposal to be recorded by the Vendor will be subject to the review and final audit by the auditors of the Vendor. The actual gain or loss on the Disposal to be recorded by the Group will depend on the fair value of the Property recorded on the Group's financial statements at the Completion Date and therefore may be different from the amount mentioned above.

Upon Completion, providing that the Property Procurement Option has not been exercised, the Vendor will cease to hold any shares in the Target Company. As the Target Company will cease to be a subsidiary of the Vendor, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company and its financial statements will cease to be consolidated into the financial statements of the Company.

USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal (after deducting transaction costs, tax and professional expenses) will be approximately HK\$15,454,401.

The Company intends to use the net proceeds from the Disposal for the repayment of bank loan and general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board considers that the Disposal represents a good opportunity for realization of the Group's investment. The proceeds from the Disposal can further strengthen the cash flow of the Group and the Disposal will enable the Group to reallocate its resources for future development should opportunities arise. The Directors, including the independent non-executive Directors, therefore consider that the Disposal is conducted on normal commercial terms, and the terms of the Provisional Agreement are fair and reasonable, and the entering into the Provisional Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the entering into of the Provisional Agreement and the Disposal contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements but are exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As Completion of the Disposal is subject to the satisfaction of certain conditions precedent set out in the Provisional Agreement, the Disposal may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein:

“Additional Deposit”	an additional deposit in the sum of HK\$2,587,500 to be paid if, in not less than fourteen (14) working days prior to 5 July 2021, the Purchaser gives written notice to the Vendor’s solicitors or the Vendor to delay Completion
“Balance of the Purchase Price”	in the sum of HK\$46,575,000, or, if the Additional Deposit has been paid, in the sum of HK\$43,987,500 to be paid on the Completion Date
“Board”	the board of Directors
“Company”	Star Properties Group (Cayman Islands) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1560)
“Completion”	completion of the sale and purchase of the Sale Shares and the assignment of the title, rights, benefits and interests of and in the Sale Debt if the Property Procurement Option has not been exercised; or completion of the sale of the Property if the Property Procurement Option has been exercised, pursuant to the Provisional Agreement
“Completion Date”	on or before 5 July 2021 (or such later date as the Company and the Purchaser may agree in writing) or, if not less than fourteen (14) working days prior to such date (i.e. 5 July 2021) the Purchaser gives written notice to the Vendor’s Solicitors or the Vendor to delay Completion and pay the Additional Deposit, 3 September 2021 (or such later date as the Vendor and the Purchaser may agree in writing).
“Director(s)”	the director(s) of the Company

“Disposal”	the transaction of (i) if the Property Procurement Option has not been exercised, the disposal of the Sale Shares of the Target Company and the assignment of the Sale Debt of the Target Company; or (ii) if the Property Procurement Option has been exercised, the sale of the Property by the Target Company pursuant to the Provisional Agreement
“Formal Agreement”	(i) the formal agreement for sale and purchase of the Sale Shares and Sale Debt to be entered into between the Vendor and the Purchaser (if the Property Procurement Option has not been exercised) or (ii) a formal sale and purchase agreement of the Property to be entered into between the Purchaser and the Target Company (if the Property Procurement Option has been exercised) on or before 25 May 2021 pursuant to the Provisional Agreement
“Further Deposit”	a further deposit in the sum of HK\$2,587,500 shall be paid on or before 17 March 2021 pursuant to the Provisional Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Initial Deposit”	the initial deposit in the sum of HK\$2,587,500 to be paid upon signing of the Provisional Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratio(s)”	has the same meaning ascribed to it under the Listing Rules

“Property”	is All That Units Nos. 4 and 6 on 11 th Floor of Block A, Sea View Estate, No.2 Watson Road, Hong Kong
“Property Procurement Option”	is an option for the Purchaser to require the Vendor to procure the sale of the Property by the Target Company to the Purchaser subject to the terms and conditions contained in the Provisional Agreement
“Provisional Agreement”	the provisional sale and purchase agreement dated 3 March 2021 and entered into between the Vendor and the Purchaser in relation to the Disposal
“Purchaser”	GREAT WALL BELT & ROAD HOLDINGS LIMITED, a company incorporated under the laws of the Bermuda with limited liability, which is an independent third party not connected with the Company and its connected person
“Sale Debt”	the right to all debts owing by the Target Company to the Vendor and/or director(s) of the Target Company and/or its/his/their associates (if any) as at Completion Date. As at 31 December 2020, the amount of the Sale Debt is approximately HK\$1,167,500.
“Sale Shares”	10 ordinary shares, representing all the issued shares of the Target Company
“Share(s)”	ordinary share(s) of HK\$1 each in the share capital of the Target Company
“Shareholder(s)”	the holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Palico Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“Vendor”

Ritzy Soar Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company

“0%”

per cent.

For and on behalf of the Board
Star Properties Group (Cayman Islands) Limited
Chan Man Fai Joe
Chairman

Hong Kong, 3 March 2021

As at the date of this announcement, the Board consists of eight Directors comprising four executive Directors, namely Mr. Chan Man Fai Joe (Chairman), Ms. Cheung Wai Shuen, Mr. Liu Hon Wai and Prof. Pong Kam Keung; one non-executive Directors, namely Mr. Yim Kwok Man; and three independent non-executive Directors, namely Mr. Lee Chung Ming Eric, Ms. Chan Wah Man Carman and Dr. Wong Wai Kong.