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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)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
AND SHAREHOLDERS' LOAN OWING BY
METROPOLITAN GROUP (BVI) LIMITED**

THE ACQUISITION

On 24 January 2020 (after trading hours of the Stock Exchange), the Company (as purchaser) and the Vendor (as vendor) entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Share and Sale Loan, at an aggregate consideration of HK\$420,000,000, which will be satisfied by (i) part payment in cash; and (ii) allotment and issue of the Convertible Bonds. The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

As at the date of this announcement, the Target Company is wholly-owned by the Vendor. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Transactions are more than 25% but less than 100%, the Transactions constitute a major transaction for the Company and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is indirectly held as to 100% by Mr. Chan, who is a Director and controlling shareholder of the Company. As such, the Vendor is an associate of Mr. Chan and thus a connected person of the Company. Therefore, the Transactions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the approval of the Independent Shareholders at the EGM.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Acquisition Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Sinolink Securities (HK) Co. Ltd has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Transactions; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions; (iv) other information as required under the Listing Rules; and (v) a notice convening the EGM will be despatched to the Shareholders on or before 31 March 2020, which is more than 15 Business Days after the publication of this announcement, as the Company requires more time to prepare the information to be included in the circular.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

INTRODUCTION

On 24 January 2020 (after trading hours of the Stock Exchange), the Company (as purchaser) and the Vendor (as vendor) entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Share and Sale Loan, at an aggregate consideration of HK\$420,000,000, which will be satisfied by (i) part payment in cash; and (ii) allotment and issue of the Convertible Bonds. The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Principal terms of the Acquisition Agreement are set out below.

THE ACQUISITION AGREEMENT

Date: 24 January 2020

Parties: (i) the Company (as purchaser); and
(ii) Metropolitan Lifestyle (BVI) Limited (as vendor);

Assets to be acquired

The assets to be acquired under the Acquisition Agreement comprise (i) the Sale Share; and (ii) the Sale Loan. The Sale Share represent the entire issued share capital of the Target Company as at the date of the Acquisition Agreement and Completion. The Sale Loan shall represent all obligations, liabilities and debts owing or incurred by the Target Group to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due payable on Completion. The outstanding unaudited indebtedness owing by the Target Group to the Vendor as at 30 September 2019 was approximately HK\$267,000,000.

Pursuant to the terms of the Acquisition Agreement, it is one of the conditions precedent that the Reorganisation shall be completed prior to Completion. It is expected that, upon completion of the Reorganisation, the Target Group will hold the various interests in the businesses and properties (details of which are set out in the section headed “Information on the Target Group” below) which are the subject of the Acquisition. Please refer to the section headed “Information on the Target Group” below for further information on the business and financial information of the Target Group.

Consideration and payment terms

The Consideration shall be HK\$420,000,000 in aggregate, which shall comprise the purchase price for the Sale Loan (representing the dollar-to-dollar equivalent of the amount of the Sale Loan) and the purchase price for the Sale Share (which shall be the aggregate Consideration less the purchase price for the Sale Loan).

Subject to the terms of the Acquisition Agreement, the Consideration shall be payable by the Company to the Vendor in the following manner:

- (i) 50% of the Deposit, being HK\$21,000,000, shall be paid by the Purchaser as deposit and part payment of the Consideration upon the signing of the Acquisition Agreement;
- (ii) the remaining 50% of the Deposit, being HK\$21,000,000, shall be paid by the Purchaser as deposit and part payment of the Consideration on the 14th day after the date of the Acquisition Agreement; and
- (iii) the sum of HK\$378,000,000, being the balance of the Consideration, shall be satisfied by the Company by way of the issue and delivery of the Convertible Bonds in the name of the Vendor on Completion.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Company and the Vendor on normal commercial terms with reference to, including without limitation, to (i) the market value of the property interests held by the Target Group of HK\$956,000,000 as at 30 September 2019 based on the preliminary valuation conducted by an independent property valuer based on market approach adopting a direct comparison method; and (ii) the net asset value of the Target Group as at 30 September 2019.

The cash component of the Consideration will be financed by the internal resources of the Group.

Conditions precedent

Completion of the Acquisition Agreement is conditional upon fulfilment or waiver (as the case may be) of the following Conditions:

- (i) the Vendor's title to the Sale Share and the Sale Loan being in order and free from all encumbrances;
- (ii) all the Warranties remaining true and accurate and not misleading as at Completion and no events having occurred that would result in any breach of any of the Warranties or provisions of the Acquisition Agreement by the Vendor;
- (iii) the Vendor having facilitated the Company to undertake a legal, financial and business due diligence investigation in respect of the Target Group and the results of such due diligence investigation being reasonably satisfactory to the Company;
- (iv) the Reorganisation having been duly completed;
- (v) all necessary consents in relation to the transactions contemplated under the Acquisition Agreement, including without limitation such consents (if required) of the Stock Exchange and the SFC and any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong or elsewhere which are required for the entering into, execution, delivery and performance of the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the listing of, and the permission to deal in, any Conversion Shares which may be issued to the Vendor upon conversion of the Convertible Bonds, having been obtained;
- (vi) approval having been obtained from the Independent Shareholders at the EGM convened for approving the Acquisition Agreement and the transactions contemplated thereunder;
- (vii) the transactions contemplated under the Acquisition Agreement not having been deemed by the Stock Exchange as a reverse takeover of the Company under the Listing Rules; and
- (viii) the release of the personal guarantees given by the Controlling Shareholders in favour of the banks in relation to loans taken out by the Target Group.

The Vendor shall use its reasonable endeavours to procure the fulfilment of the Conditions. The Company may at any time by notice in writing to the Vendor waive any of the Conditions (other than Conditions (v), (vi) and (vii)) or any part thereof on such terms as it may decide.

If any of the Conditions are not fulfilled (or waived by the Company) on or before the Long Stop Date, the Vendor shall forthwith on the Long Stop Date repay the full amount of the Deposit without any interest to the Company, and the Acquisition Agreement shall cease and determine (save and except certain clauses specified in the Acquisition Agreement) and neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the 5th Business Day after all the Conditions have been satisfied or waived, or such other date as may be agreed by the Vendors and the Company in writing.

ISSUE OF THE CONVERTIBLE BONDS

The Convertible Bonds shall be issued by the Company on the date of Completion to settle part of the Consideration for the purchase of the Sale Share and the Sale Loan.

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer : The Company

Principal amount : HK\$378,000,000

Maturity date : The Convertible Bonds are perpetual in term and have no maturity date

Interest rate : The Convertible Bonds bear a coupon rate of 3% per annum. The coupon shall accrue on the outstanding principal amount of the Convertible Bonds and be payable annually subject to the Company's sole discretion to defer the coupon payment for a maximum period of 10 years from the date when the relevant coupon payment falls due by giving notice to the holders of the Convertible Bonds.

Conversion Price : The initial Conversion Price is HK\$0.65 per Conversion Share subject to adjustments for adjustment provisions summarized below.

Conversion Shares : Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.65 per Conversion Share, a maximum of 581,538,461 new Shares will be issued upon conversion of the Convertible Bonds (subject to adjustments), which represent (i) approximately 90.65% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 47.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price

Conversion Period : The holders of the Convertible Bonds may convert such Convertible Bonds (in whole or in part) into Conversion Shares during the period commencing from the date of issue of the Convertible Bonds up to the date which falls on the 10th anniversary of the date of issue of the Convertible Bonds (the “**Conversion Period**”) to the extent all or part of the Convertible Bonds remain outstanding.

Upon expiry of the said Conversion Period, no conversion rights could be exercised and the amount outstanding under the Convertible Bonds (if any) will become an unlisted straight perpetual bond of the Company.

Conversion : Provided that any conversion of the Convertible Bonds does not result in (i) a mandatory offer under rule 26 of the Takeovers Code on the part of the holder and/or any party(ies) acting in concert with it; and (ii) the public float of the Shares being less than 25% (or such percentage as required by the Listing Rules) of the issued Shares, the bondholder shall, subject to compliance with the procedures set out in the CB Conditions, have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in their name into Shares, provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion (or if the outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000 on such conversion, the whole of such outstanding principal amount of the Convertible Bonds).

- Redemption : The Company may, at any time, by serving at least ten (10) days' prior written notice on the holder of the Convertible Bonds with the total amount proposed to be redeemed specified therein, redeem the Convertible Bonds (in whole or in part) at 100% of the principal amount of such Convertible Bonds.
- Ranking : The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the relevant date of conversion including the right to all dividends, bonus and other distributions declared, paid or made on or after the relevant date of conversion other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant date of conversion.
- Adjustments to the Conversion Price : The Conversion Price shall from time to time be adjusted upon the occurrence of certain events in relation to the Company including but not limited to the following:
- (i) an alteration of the number of the Shares by reason of consolidation or subdivision;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a capital distribution being made by the Company to the Shareholders, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
 - (iv) an offer of new Shares for subscription by way of rights, or grant any options or warrants to subscribe for new Shares, being made by the Company to the Shareholders (in their capacity as such) at a price which is less than 80% of the then market price of the Share;

- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than 80% of the then market price of the Shares, or such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80% of the then market price of the Shares;
- (vi) an issue being made by the Company wholly for cash of Shares (other than Shares issued on the exercise of conversion rights attaching to the Convertible Bonds or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) at a price per Share less than 80% of the then market price of the Shares; and
- (vii) an issue being made by the Company of Shares for the acquisition of asset at the total effective consideration per Share which is less than 80% of the then market price of the Shares.

Transferability : Subject to the prior written consent by the Company and compliance with the Listing Rules and other applicable laws and regulations, the Convertible Bonds may be transferred or assigned by the holder(s) of the Convertible Bonds in whole or in part in multiples of HK\$1,000,000 to any party.

Voting rights : The Convertible Bonds shall not carry any voting rights.

Listing : No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

The initial Conversion Price of HK\$0.65 per Conversion Share represents:

- (i) a discount of approximately 7.14% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the date of the Acquisition Agreement;
- (ii) a discount of approximately 7.67% to the average closing price of approximately HK\$0.70 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Acquisition Agreement;

- (iii) a discount of approximately 7.67% to the average closing price of approximately HK\$0.70 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Acquisition Agreement; and
- (iv) a discount of approximately 40.41% to the net assets value per Share attributable to the Shareholders of approximately HK\$1.09 as at 30 June 2019.

The Conversion Price was determined based on arm's length negotiations between the parties with reference to the prevailing market prices of the Shares.

Specific Mandate

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. The Conversion Shares, when allotted and issued, will rank pari passu in all respects with each other and with the other Shares then in issue at the time of issue of the Conversion Shares.

INFORMATION ON THE TARGET GROUP

Principal businesses of the Target Group

The Target Company is an investment holding company. As at the date of this announcement, the Target Group Companies operate the following businesses under the "Metropolitan" brand: (i) serviced apartment business, (ii) wine cellar and fine wine business, (iii) storage business and workshop business and (iv) other business.

1. Serviced apartment business

Metropolitan Apartment is principally engaged in the business of operation of serviced apartments in Hong Kong.

Metropolitan Apartment operates a total of 28 serviced apartments on self-owned properties for rental which are situated at No.16 & No. 18 Yiu Wa Street, Causeway Bay and 3/F, 14 Yiu Wa Street, Causeway Bay, Hong Kong.

Types of serviced apartments include (i) co-living apartments (ranging from 80 to 120 sq. ft. in size), (ii) contemporary studios (ranging from 180 to 230 sq. ft. in size), (iii) studios with terrace (ranging from 230 to 390 sq. ft. in size with a terrace of approximately 20 to 180 sq. ft. each), and (iv) family studios (which are 400 sq. ft. to 700 sq.ft. in size).

The preliminary valuation of the properties used by Metropolitan Apartment for its apartment business and held by Crystal Cay Group conducted by an independent property valuer was HK\$175,000,000 as at 30 November 2019.

2. Wine cellar and fine wine businesses

Metropolitan Wine Cellar Group is principally engaged in the business of provision of professional fine wine storage services. Metropolitan Fine Wine is principally engaged in wine trading.

Metropolitan Wine Cellar is a participating company of the Wine Storage Management Systems (WSMS) Certification Scheme of the Hong Kong Quality Assurance Agency (HKQAA). It complies with the requirements of Fine Wine Storage Management Systems Standard of HKQAA Wine Storage Management Systems Certification Scheme: 2013 applicable to provision of wine storage rental services for fine wine. As at the date of this announcement, there are a total of 232 wine lockers and 131 private cellars located in rented and self-owned properties of Metropolitan Wine Cellar Group in Tin Hau, Hong Kong, which are provided for storage of wine. Capacity of each wine locker ranges from 24 to 432 bottles or 2 to 36 cases and that of each private cellar ranges from 132 to 9,360 bottles or 11 to 780 cases.

In 2008, the zero wine duty policy has been launched, and wine and spirits business flourished in Hong Kong. Metropolitan Wine Cellar was established in 2011 in view of the contemplated need for storage of wine and it aimed to provide professional storage facilities to customers. It expanded from utilizing a rented property of approximately 10,000 sq. ft. only in 2011 to acquiring a self-owned property of approximately 3,000 sq. ft. to provide its wine storage service. In 2019, there was further expansion and an additional rented property of approximately 3,000 sq. ft. has since been used for providing wine storage facilities to customers. As at the date of this announcement, the total storage area available is over 16,000 sq. ft..

Metropolitan Fine Wine mainly targets local Hong Kong residents and offers products delivery. Supplementing the fine wine storage services offered by Metropolitan Wine Cellar Group, Metropolitan Fine Wine designates a transportation company to deliver the wines and provides an inland transit insurance coverage within Hong Kong, subject to a limit of HK\$50,000 per bottle of wine (cost value) and HK\$2,000,000 (per conveyance) insurance coverage. Its products include dessert wine, red wine, sparkling wine, white wine, rose wine, champagne and spirits such as whiskey, cognac and brandy, and are sourced from different countries including France, United Kingdom, Portugal, Australia, the United States of America, Chile, Italy and Spain. The core and main selection of its wines comprises “old world” wines, especially French wines which account for 80% of its inventory.

The preliminary valuation of the properties used by Metropolitan Wine Cellar Group and held by Crystal Cay Group conducted by an independent property valuer was HK\$33,000,000 as at 30 November 2019.

3. Storage and workshop businesses

Metropolitan Storage Group is principally engaged in the business of provision and operation of storage service to the public in Hong Kong. Metropolitan Workshop is principally engaged in the business of provision of 24-hour co-working spaces ranging from private rooms/shared offices, dedicated desks, hot desks, and virtual offices to memberships in multi-location, providing flexible price plans that suit various needs. The operation of the storage and workshop businesses of the Target Group are under the same management team.

Metropolitan Storage Group operates its mini-storage business in 14 branches located in Chai Wan, San Po Kong, Lai Chi Kok, Fo Tan, Yuen Long, Kwai Chung, Tsing Yi and Tai Po as at the date of this announcement. It provides mini storage services with size of each mini-storage unit ranging from 8 sq.ft. to over 40 sq. ft.. Metropolitan Storage Group has a total of approximately 2,000 mini-storage units in these 14 branches.

The co-working spaces of Metropolitan Workshop are located at self-owned properties. It started at The Galaxy, Kwai Chung in 2015. Since then Metropolitan Workshop has set up camp in an array of convenient locations across the city including Central, Admiralty, Wan Chai, Tin Hau, and Kwai Chung, all equipped with workspaces which are desired by freelancers, entrepreneurs, smaller companies and corporates. The company has grown to provide more than 200 private work spaces and 450 work desks with 435 active members. Each of the locations has its own style so members can pick and choose the environment that best suited their needs.

Metropolitan Workshop positions itself between co-working spaces and business centers, providing a higher privacy to existing co-working spaces and cheaper option for business center tenants. The target audience is a well-mixed group of individuals from startups to satellite offices, company industries including but not limited to, marketing, finance, insurance, recruitment, fashion, IT solution, consultants and blockchain development. The company also developed an online member portal including meeting room booking, member's directory, direct messaging and a benefits section introducing members to professional services like company secretary to offering discounts from nearby restaurants. For future development, Metropolitan Workshop will continue to increase its footprint by offering property management services to existing co-working spaces in the city as well as partnership with potential landlords to build and manage their property.

Seongsu Vision, a Target Group Company, which is an investment holding company holding a property situated in Seongsu, Seoul, South Korea will also be acquired under the Acquisition. The property held by Seongsu Vision is currently a bare site for potential development of workshop business.

The preliminary valuation of the properties used by Metropolitan Workshop and held by Crystal Cay Group conducted by an independent property valuer was HK\$669,800,000 as at 30 November 2019.

4. Production and other investment holding business

Metropolitan Production is principally engaged in the business of production and organisation of local and overseas music concerts, artist management and film production. It organised concerts such as “Mr. Everyone Concert 10” and “HOTCHA 10th Anniversary Concert”, and other events to provide a stage for young people to perform different types of art. It also established a filming studio “MetroStudio”, supporting the Hong Kong film industry. Metropolitan Production has provided production services to the Group from time to time in relation to the marketing services of the Group.

As at the date of this announcement, apart from the properties described above, the following property interests are held by the Target Group:

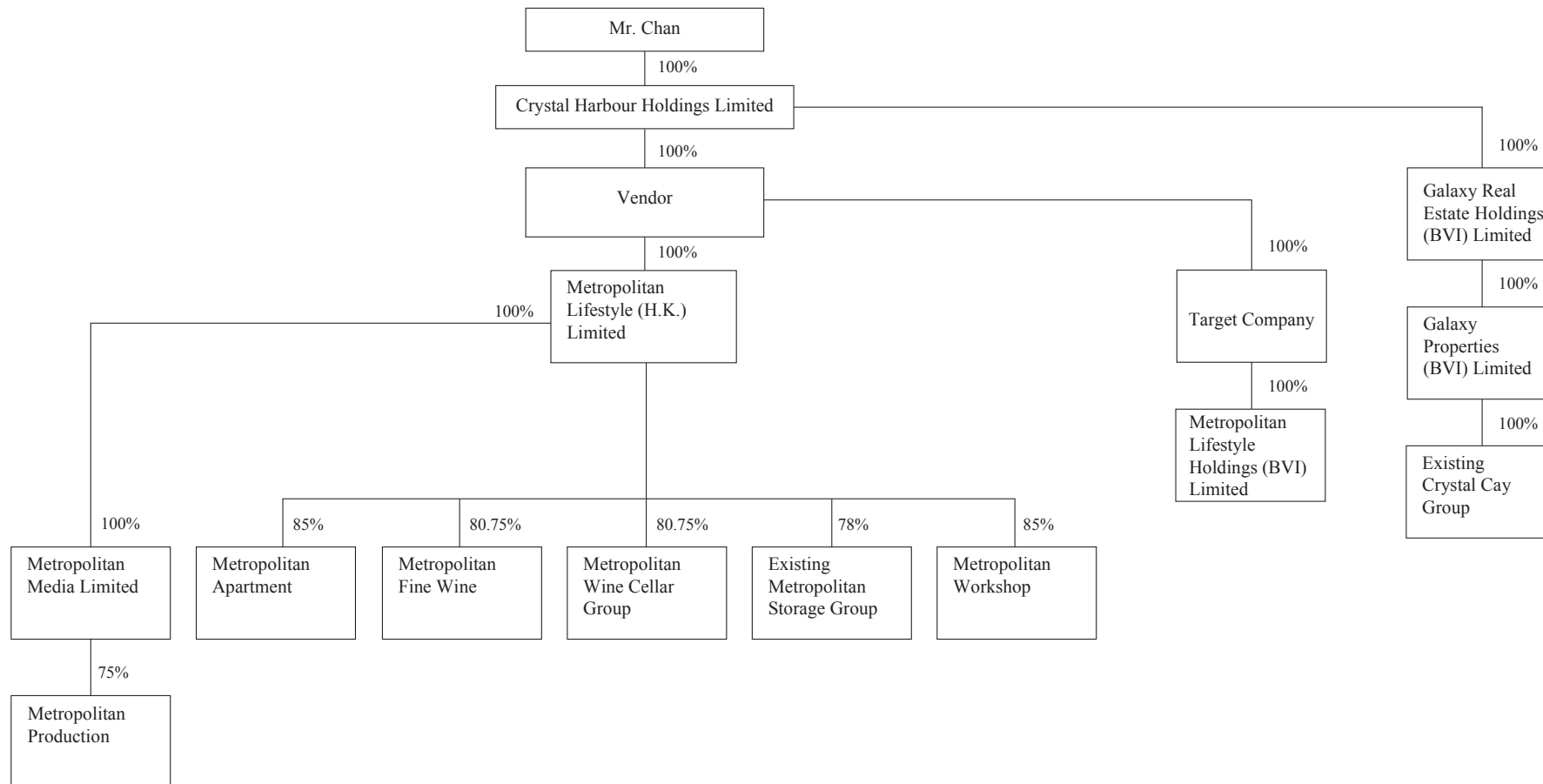
- (i) farmland with an area of approximate 97,052 sq.ft. situated in Yuen Long, New Territories, Hong Kong, which is held by Mark Wealthy Limited, a Target Group Company, is now vacant and being held as an investment property; and

- (ii) a shop located on 1/F podium of the Admiralty Centre, Admiralty, Hong Kong, which is held by Well Sure Corporation Limited, a Target Group Company, is being held as an investment property and is currently leased to an independent third party for a monthly rent of HK\$45,000 from 11 August 2019 to 10 August 2021.

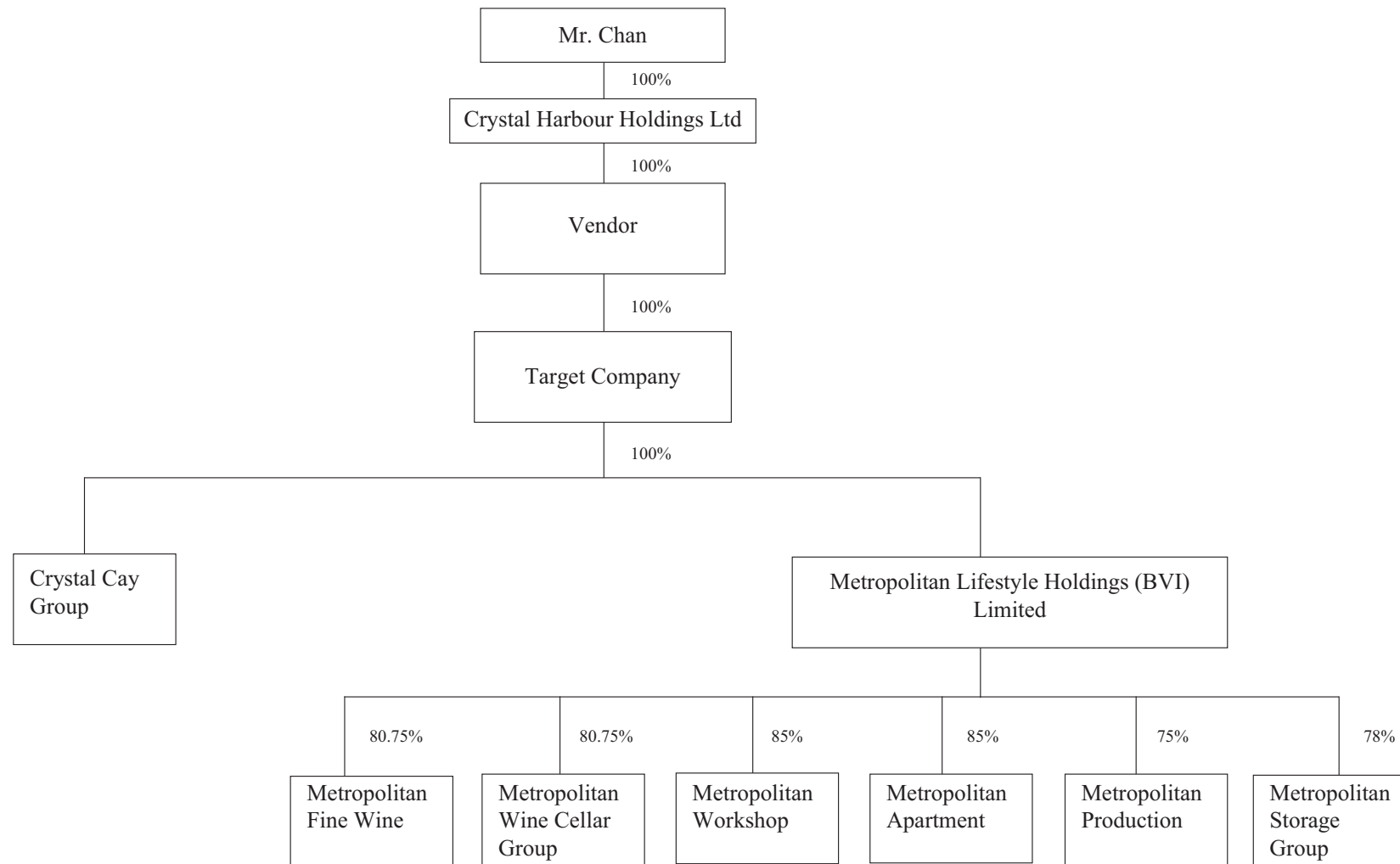
Mark Wealthy Limited and Well Sure Corporation Limited are Target Group Companies which will be acquired under the Acquisition. The preliminary valuation of the above property interests held by Mark Wealthy Limited and Well Sure Corporation Limited conducted by an independent property valuer was HK\$79,375,000 as at 30 November 2019.

Set out below is the shareholding structure of (i) the Target Group Companies as at the date of execution of the Acquisition Agreement; (ii) the Target Group upon completion of the Reorganisation and immediately before Completion; and (iii) the Target Group immediately after Completion:

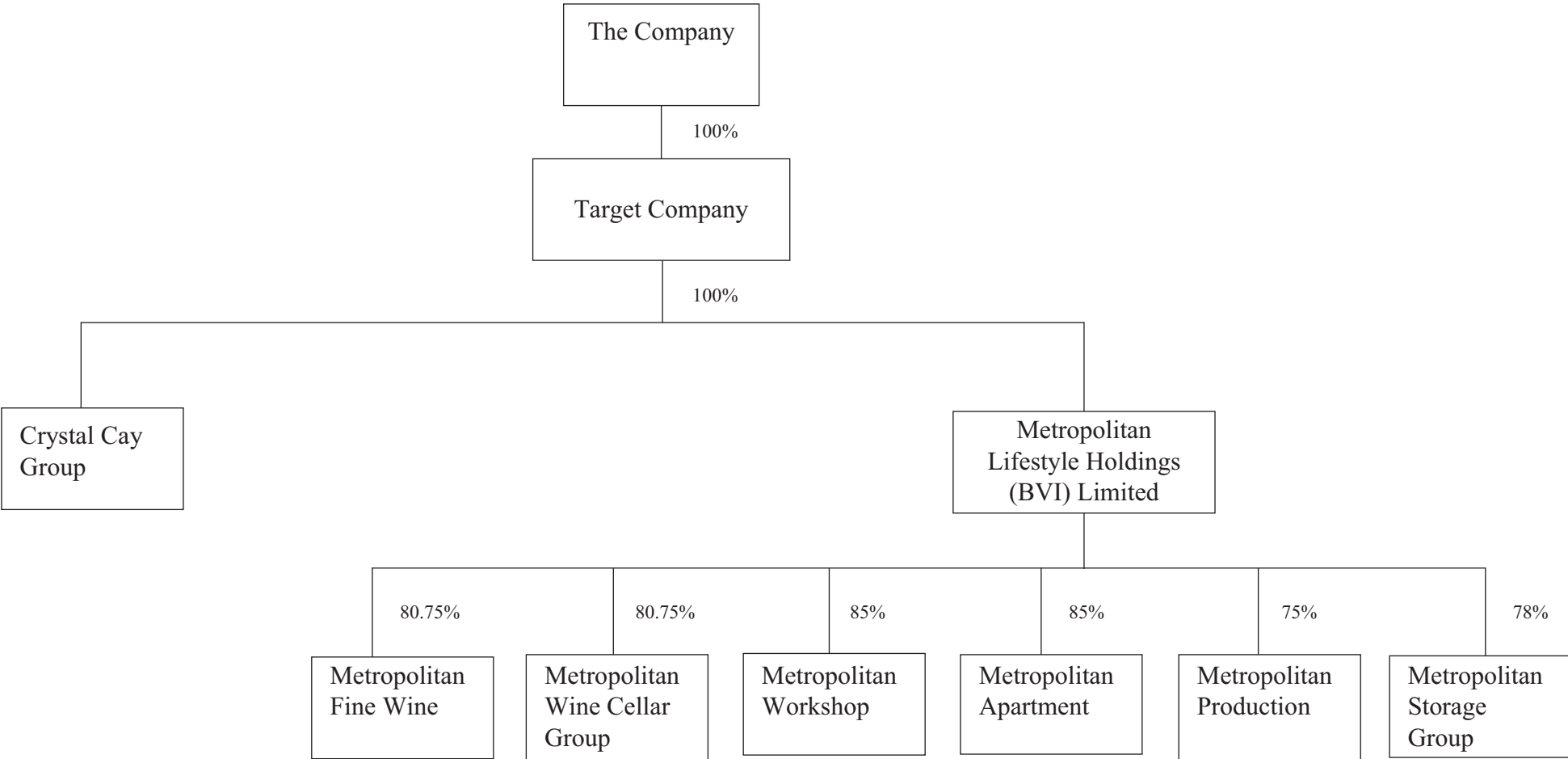
(i) as at the date of execution of the Acquisition Agreement



(ii) upon completion of the Reorganisation and immediately before Completion



(iii) immediately after Completion



Financial Information of the Target Group

Set out below is the unaudited financial information of the Existing Target Group (i) for the financial years ended 31 December 2017 and 2018; and (ii) for the nine months ended 30 September 2019 (assuming that the members of the Existing Target Group have been consolidated throughout the relevant periods):

	For the year ended		For the
	31 December		9 months ended
	2017	2018	2019
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Profit before taxation and extraordinary items	67,393	27,909	20,334
Profit after taxation and extraordinary items	62,836	20,413	14,160

According to the unaudited financial information of the Existing Target Group, the net asset value of the Existing Target Group as of 30 September 2019 was approximately HK\$420,560,000. The original acquisition cost of the Target Group Companies, in aggregate, was approximately HK\$618,000,000.

All information relating to the Existing Target Group and the Target Group, including information relating to the financial information of the Existing Target Group and the businesses of the Target Group, as disclosed in this announcement has been provided by the Vendor. The financial information of the Existing Target Group as set out above is subject to the audited financial statements of the Existing Target Group.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

FUTURE FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Prior to the entering into of the Acquisition Agreement, Mr. Chan, who is an executive Director and hence connected person of the Company, has executed the Deed of Guarantee to guarantee the punctual payment of rent and due performance and observance by Noble Empire (a wholly-owned subsidiary of Metropolitan Wine Cellar and a Target Group Company) of all terms and conditions of the Tenancy Agreement for the term from 1 March 2017 to 29 February 2020 and renewed term (if any) under the Tenancy Agreement.

The transactions contemplated under the Deed of Guarantee will constitute financial assistance received from a connected person upon Completion. Pursuant to Rule 14A.90 of the Listing Rules, financial assistance received by the Group from Mr. Chan under the Deed of Guarantee is fully exempt as it is conducted on normal commercial terms and it is not secured by any assets of the Group. The Company is therefore exempt from the reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon the exercise of the conversion rights under the Convertible Bonds in full (assuming that the Conversion Price is HK\$0.65 per Conversion Share and there is no issue or repurchase of Shares from the date of this announcement other than the Conversion Shares):

	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon the exercise of the conversion rights under the Convertible Bonds in full	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Chan	2,500,000	0.39	2,500,000	0.20
Star Properties Holdings (BVI) Limited (<i>Note 1</i>)	432,140,800	67.36	432,140,800	35.33
Vendor	—	—	581,538,461	47.55
Eagle Trend (BVI) Limited (<i>Note 2</i>)	38,259,200	5.96	38,259,200	3.13
Ms. Cheung Wai Shuen (<i>Note 3</i>)	300,000	0.05	300,000	0.02
Ms. Chan Wah Man Carman (<i>Note 4</i>)	156,000	0.02	156,000	0.01
Public Shareholders	168,142,000	26.21	168,142,000	13.75
Total	<u>641,498,000</u>	<u>100</u>	<u>1,223,036,461</u>	<u>100</u>

Notes:

- (1) Star Properties Holdings (BVI) Limited is an investment holding company incorporated in the BVI with limited liability and is wholly-owned by Mr. Chan. By virtue of the SFO, Mr. Chan is deemed to be interested in all shares in which Star Properties Holdings (BVI) Limited is interested.
- (2) Eagle Trend (BVI) Limited is an investment holding company incorporated in the BVI with limited liability and is wholly-owned by Mr. Lam Kin Kok. By virtue of the SFO, Mr. Lam Kin Kok is deemed to be interested in all shares in which Eagle Trend (BVI) Limited is interested.

- (3) Ms. Cheung Wai Shuen is an executive Director.
- (4) Ms. Chan Wah Man Carman is an independent non-executive Director.

REASONS FOR AND BENEFITS OF THE ACQUISITION

In assessing the fairness and reasonableness of the Acquisition, the Board has considered the following:

(i) Strong synergy between the Group’s property development business and the businesses of the Target Group

The Target Group will undergo the Reorganisation whereby the Target Company will acquire the operating entities which operate the business of provision of stylish living space including apartments, workshops, storages and wine cellar. An integrated approach has been developing in the global property sector in recent years whereby living spaces are integrated with different life-style facilities such as wine cellar, flexible storage space and co-working space. The Directors believe that the provision of this type of living space with life-style element will become the future trend of the global property market, including the property market in Hong Kong. There is also synergy to the Group by operating the life-style business in our developing projects such as Kwun Tong Site Project, Yuen Long Site Project, Tack Lee Project, etc. which may in turn increase the value of different developed properties in the future.

(ii) Enhancement of the Group’s portfolio of investment properties with regular income

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. As at 30 June 2019, the Group’s portfolio of investment properties comprised car parking spaces located in Hong Kong with a total carrying value of approximately HK\$8.1 million. Revenue amounting to approximately HK\$212,000 was generated from property investment segment for the six months ended 30 June 2019.

The Board considers that the acquisition of an established brand, namely, the “Metropolitan” brand, together with its underlying investment properties will allow the Group to strengthen and enhance the value of its asset base, and at the same time generating stable and regular income for the Group. In addition, according to the independent property valuer, the rental income to be generated and the value of the investment properties are expected to be enhanced by the provision of value added services operated under the lifestyle-related businesses such as co-working space and flexible storage space, as compared to leasing out the whole properties directly to independent third parties.

(iii) Opportunities of future redevelopment

Opportunities for redevelopment are available in respect of some of the properties owned by the Target Group, which may enhance the portfolio for properties development. After Completion, the Company intends to hold the acquired properties for rental purpose, and the Group has no development plan thereof as at the date of this announcement.

In light of the Board's belief and the potential in the business of the Target Group, the Board is of the view that the Acquisition is a suitable opportunity for the Group to broaden its range of investments to increase its revenue sources and/or enhance its profitability and it will tap into services which are to complementary the Group's property development business.

Determination of settlement method of the Consideration

Issue of Convertible Bonds

The Board has considered the following factors and concluded that satisfying the Consideration substantially by the issuance of Convertible Bonds is in the interests of the Company and its Shareholders as a whole:

- (i) the Group's principal business activities include, amongst other things, property development and investments, which are capital intensive activities. The Board considers that through the issuance of the Convertible Bonds, the Group will be able to maintain relatively more flexibility in applying its cash resources where needed in order to cater for its business needs;
- (ii) the issuance of Convertible Bonds will not have any immediate dilution effect until the relevant holders convert the Convertible Bonds into Shares; and
- (iii) following issuance of the Convertible Bonds, the Company will bear a coupon rate of 3% per annum. This represents significant advantage over other means of financing e.g. bank borrowings where the relevant finance cost is much higher and the availability of such borrowings, given the PRC policies on bank lending, is relatively low.

Other alternative settlement methods considered

The Board has considered alternative settlement method such as issuance of other types of debt securities. However, taking into account the relatively higher finance costs as well as the impact on the gearing ratio of the Company, the Board considers that the issuance of other debt securities may (1) depend on the extent of borrowing, result in possible breach of financial covenants of the Group's existing borrowings regarding the gearing ratio; (2) have an adverse financial impact on the Group's financial position and affect its future fundraising ability; and (3) reduce the Group's liquidity due to the payment of interests and repayment of such debt securities, and will in turn hinder its business development options and therefore the potential return and interest of the Company and its Shareholders.

Based on the above, the Directors (excluding Mr. Chan who is required to abstain from voting and the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable, and the Transactions are in the interests of the Company and its Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except for Mr. Chan who was materially interested in the Transactions and therefore had abstained from voting on the Board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder, none of the other Directors had a material interest in the Transactions.

INFORMATION OF THE GROUP

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.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company and is indirectly held as to 100% by Mr. Chan as at the date of this announcement.

DELINEATION BETWEEN THE ENLARGED GROUP AND PROPERTY INVESTMENT GROUP

As at the date of this announcement, Mr. Chan is controlling shareholder of certain companies which hold (a) individual and separate units of residential properties in Hong Kong; (b) a commercial property comprising 5 storey (B1 to 4th floor) building in Gangnam district, Seoul, South Korea, which are all being held as investment properties; and (c) an apartment in Gangnam district, Seoul, South Korea which is held as an investment property and is currently leased to an independent third party.

Prior to Completion, the Group is principally engaged in property development and owns two other industrial property sites in Seongdong District, Seoul, South Korea, which are currently held for redevelopment purpose. The Retained Properties were not injected into the Group as our Directors are of the view that such properties neither form part of the Group's core business nor are in line with the Group's business strategies.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Transactions are more than 25% but less than 100%, the Transactions constitute a major transaction for the Company and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is indirectly held as to 100% by Mr. Chan, who is a Director and controlling shareholder of the Company. As such, the Vendor is an associate of Mr. Chan and thus connected person of the Company. Therefore, the Transactions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the approval of the Independent Shareholders at the EGM.)

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Acquisition Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Sinolink Securities (HK) Co. Ltd. has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Transactions; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions; (iv) other information as required under the Listing Rules; and (v) a notice convening the EGM will be despatched to the Shareholders on or before 31 March 2020, which is more than 15 Business Days after the publication of this announcement, as the Company requires more time to prepare the information to be included in the circular.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the Sale Loan by the Company from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 24 January 2020 entered into among the Company, the Vendor in relation to the Acquisition
“Board”	the board of the Directors
“Business Day”	any day (excluding Saturdays, Sundays and days on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open for business in Hong Kong

“BVI”	British Virgin Islands
“CB Conditions”	the terms and conditions of the Convertible Bonds
“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 Acquisition
“Completion Date”	means the date falling the 5th Business Day after all the Conditions have been fulfilled or waived, or such other date as may be agreed by the Vendor and the Company in writing
“Conditions”	the condition(s) precedent for Completion as set out in the section headed “Conditions precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	means the controlling shareholders of the Company
“Consideration”	the aggregate consideration for the Acquisition
“Conversion Share(s)”	new Share(s) to be allotted and issued to the holder(s) of the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the 3% coupon perpetual convertible bonds in the aggregate principal amount of HK\$378,000,000 which will be issued by the Company to the Vendor to settle part of the Consideration

“Crystal Cay”	means Crystal Cay Assets Limited, a company incorporated in the BVI, which (i) is beneficially owned by Mr. Chan as to 100% as at the date of this announcement; and (ii) is to be held by the Target Company as to 100% immediately upon completion of the Reorganisation
“Crystal Cay Group”	means Crystal Cay and its subsidiaries immediately upon completion of the Reorganisation
“Deed of Guarantee”	the deed of guarantee dated 28 February 2017 executed by Mr. Chan to guarantee the punctual payment of rent and due performance and observance by Noble Empire of all terms and conditions of the Tenancy Agreement for the term from 1 March 2017 to 29 February 2020 and renewed term (if any) under the Tenancy Agreement
“Deposit”	the deposit of HK\$42,000,000, which shall be payable to Vendor under the Acquisition Agreement, details of which are set out under the section headed “Consideration and payment terms” of this announcement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if though fit, approve the Acquisition Agreement and the transactions contemplated thereunder
“Existing Crystal Cay Group”	means Crystal Cay and its subsidiaries as at the date of this announcement
“Existing Metropolitan Storage Group”	means Metropolitan Storage and its subsidiaries as at the date of this announcement
“Existing Target Group”	means (i) Crystal Cay, Metropolitan Wine Cellar, Metropolitan Storage, Metropolitan Workshop and their respective subsidiaries as at the date of this announcement; and (ii) Metropolitan Apartment, Metropolitan Fine Wine and Metropolitan Production

“Enlarged Group”	the Group upon Completion
“Gangnam Vision”	Gangnam Vision Co. Limited, a company incorporated in the South Korea with limited liability and an indirect wholly-owned subsidiary of the Vendor
“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
“Independent Shareholders”	the Shareholders other than Mr. Chan and his associates who are required to abstain from voting on the resolutions approving the Acquisition Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means 30 June 2020 or such later date as the Vendor and the Company may agree in writing from time to time
“Metropolitan Apartment”	means Metropolitan Apartment Limited, a company incorporated in Hong Kong, which (i) is beneficially owned by Mr. Chan as to 85% as at the date of this announcement; and (ii) is to be held indirectly by the Target Company as to 85% immediately upon completion of the Reorganisation
“Metropolitan Fine Wine”	means Metropolitan Fine Wine Limited, a company incorporated in Hong Kong, which (i) is beneficially owned by Mr. Chan as to approximately 80.75% as at the date of this announcement; and (ii) is to be held indirectly by the Target Company as to approximately 80.75% immediately upon completion of the Reorganisation

“Metropolitan Production”	means Metropolitan Production Limited, a company incorporated in Hong Kong, which (i) is beneficially owned by Mr. Chan as to 75% as at the date of this announcement; (ii) is to be held indirectly by the Target Company as to 75% immediately upon completion of the Reorganisation
“Metropolitan Storage”	means Metropolitan Storage Limited, a company incorporated in Hong Kong, which (i) is beneficially owned by Mr. Chan as to approximately 78% as at the date of this announcement; and (ii) is to be held indirectly by the Target Company as to approximately 78% immediately upon completion of the Reorganisation
“Metropolitan Storage Group”	means Metropolitan Storage and its subsidiaries immediately upon completion of the Reorganisation
“Metropolitan Wine Cellar”	means Metropolitan Wine Cellar Limited, a company incorporated in Hong Kong, which (i) is beneficially owned by Mr. Chan as to approximately 80.75% as at the date of this announcement; and (ii) is to be held indirectly by the Target Company as to approximately 80.75% upon completion of the Reorganisation
“Metropolitan Wine Cellar Group”	means Metropolitan Wine Cellar its subsidiaries
“Metropolitan Workshop”	means Metropolitan Workshop Limited, a company incorporated in Hong Kong, which (i) is beneficially owned by Mr. Chan as to 85% as at the date of this announcement; and (ii) is to be held indirectly by the Target Company as to 85% upon completion of the Reorganisation
“Mr. Chan”	means Mr. Chan Man Fai Joe, an executive Director and controlling shareholder of the Company
“Noble Empire”	Noble Empire Investments Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Metropolitan Wine Cellar

“Parties”	means, collectively, the Vendor and the Company, and individually, a “Party”
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Investment Group”	the group of companies (of which Mr. Chan is the controlling shareholder) which hold (a) individual and separate units of residential properties in Hong Kong; (b) a commercial property comprising 5-storey (B1 to 4th floor) building in Gangnam district, Seoul, South Korea, which are all being held as investment properties; and (c) an apartment in the Gangnam district, Seoul, South Korea which is held as an investment property and is currently leased to an independent third party.
“Reorganisation”	the reorganization of the Existing Target Group conducted prior to Completion, comprising (i) the acquisition of all the Target Group Companies by the Target Company; and (ii) the assignment of the Sale Loan to the Target Company
“Retained Properties”	the properties held by the Property Investment Group as at the date of this announcement and as at Completion
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target Group to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due payable on Completion
“Sale Share”	1 ordinary share of the Target Company to be sold by the Vendor to the Company, representing all the issued and fully paid up shares of the Target Company as at the date of this announcement and as at Completion
“Seongsu Vision”	Seongsu Vision Co. Limited, a company incorporated in the South Korea with limited liability
“SFC”	Securities and Futures Commission of Hong Kong

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM for the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	Metropolitan Group (BVI) Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Vendor, which will hold the companies being the subject of the Acquisition after the completion of the Reorganisation
“Target Group”	the Target Company and its subsidiaries immediately after the completion of the Reorganisation, comprising the Crystal Cay Group, Metropolitan Apartment, Metropolitan Fine Wine, Metropolitan Wine Cellar Group, Metropolitan Storage Group, Metropolitan Workshop and Metropolitan Production, and a “Target Group Company” shall mean any of them
“Tenancy Agreement”	the tenancy agreement dated 25 April 2017 entered into by Noble Empire (as tenant) and an independent third party (as landlord) in respect of the property situated at Unit No. 2 on 4th Floor of Block A, Seaview Estate, No. 2 Watson Road, Hong Kong for a term of 3 years commencing from 1 March 2017 to 29 February 2020

“Transactions”	the acquisition of the Sale Share and the Sale Loan by the Company from the Vendor and any other transactions contemplated under the Acquisition Agreement, including the issue of the Convertible Bonds by the Company to satisfy part of the Consideration and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds under the Specific Mandate
“Vendor”	Metropolitan Lifestyle (BVI) Limited, a company incorporated in the BVI with limited liability and is indirectly held as to 100% by Mr. Chan as at the date of this announcement
“Warranties”	the representations, warranties and undertakings of the Vendors as set out in the Acquisition Agreement
“%”	per cent.

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

Hong Kong, 24 January 2020

As at the date of this announcement, the Board consists of 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 Director, namely Mr. Yim Kwok Man; and three independent non-executive Directors, namely Dr. Wong Wai Kong, Mr. Lee Chung Ming Eric and Ms. Chan Wah Man Carman.