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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 ACQUISITION OF THE TARGET COMPANY

INTRODUCTION

The Board is pleased to announce that on 3 May 2019, the Purchaser, an indirect wholly owned subsidiary of the Company, entered into the Provisional Agreement with the Vendors, pursuant to which the Purchaser agreed to acquire and the Vendors agreed to sell the Sale Shares and the Sale Loans at a consideration of HK\$49,380,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempt from Shareholders' approval under Chapter 14 of the Listing Rules.

BACKGROUND

On 3 May 2019, the Purchaser, an indirect wholly owned subsidiary of the Company, entered into the Provisional Agreement with the Vendors, pursuant to which the Purchaser agreed to acquire and the Vendors agreed to sell the Sale Shares and the Sale Loans at a consideration of HK\$49,380,000. Details of the Provisional Agreement are set out below:

THE PROVISIONAL AGREEMENT

Date : 3 May 2019

Parties : (i) Celinal Limited and West Coast International Limited, as vendors
(ii) Ritzy Soar Limited, as purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Assets to be acquired

Pursuant to the Provisional Agreement, the Vendors agreed to sell and the Purchaser agreed to acquire the Sale Shares and the Sale Loans. As at the date of this announcement, the Sale Shares represent all the issued shares of the Target Company which are beneficially owned as to 10% by Celinal Limited and as to 90% by West Coast International Limited.

The Sale Loans represents the loan advance due and payable by the Target Company to the Vendors and their respective associates (if any) as at the Completion Date. As at 31 December 2018, the debts owing by the Target Company to the Vendors and their respective associates (if any) amounted to approximately HK\$10,993,492.

The Target Company is a company incorporated in Hong Kong with limited liability. Upon Completion, the Purchaser will own the entire issued share capital in the Target Company, which in turn indirectly owns the Property; and the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

Consideration

The Consideration is HK\$49,380,000 (the "Consideration"), which shall be payable by the Purchaser to the Vendors in the following manner:

- (a) an initial deposit of HK\$2,469,000 (the "Initial Deposit") has been paid upon signing of the Provisional Agreement (which on Completion shall form part of the Consideration);
- (b) an additional deposit of HK\$7,407,000 (the "Additional Deposit") shall be paid upon signing of the Formal Agreement for Sale and Purchase. (which on Completion shall form part of the Consideration); and
- (c) balance HK\$39,504,000 (the "Balance") shall be paid on Completion.

The Vendors and the Purchaser agree that the Initial Deposit and the Additional Deposit shall be held by the Vendors' solicitors as stakeholders, which may release the same to the Vendors provided the Vendors' solicitors confirm in writing to the Purchaser or the Purchaser's solicitors that the Balance is sufficient to repay and discharge the aggregate amount of the mortgage loan secured by the Property on Completion.

The Consideration was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the preliminary valuation of the Property performed by Centaline Surveyors Limited, an independent valuer, of HK\$50,000,000 under market approach as at 2 May 2019 and also taking into consideration the anticipated rental income generated from the Property.

Conditions precedent

Completion is conditional upon the following conditions being fulfilled:

- (a) the Purchaser having completed due diligence review on the business, finance, legal and other aspects of the Target Company and satisfied with the results thereof;
- (b) the Vendors having procured the production to the Purchaser the title documents and proved the Target Company's title to the Property in accordance with Sections 13A and 13 of the Conveyancing and Property Ordinance (Cap. 219) respectively;
- (c) the Sale Shares and the Sale Loans shall be assigned to the Purchaser or its nominee free from all encumbrances and the Property (subject to tenancy) shall be free from all encumbrances upon Completion; and
- (d) usual tax indemnity of 7 years be given in favour of the Purchaser upon Completion.

Guarantee from the Vendors Guarantor

Vendors Guarantor shall guarantee for the period of twenty four (24) months commencing from the Completion Date to the Purchaser the due observance and performance of the Vendors' obligations under this Agreement or the Formal Agreement (as the case may be) and that the warranties given or provided by the Vendors under this Agreement or the Formal Agreement (as the case may be) are to the best information and knowledge of the Vendors are true, accurate and correct.

Guarantee from the Company

The Company shall guarantee to the Vendors the due observance and performance of the Purchaser's obligations to complete the purchase pursuant to the Provisional Agreement or the Formal Agreement.

Forfeiture

If the Purchaser shall fail to pay the Additional Deposit or the Balance or complete the Acquisition in accordance with the terms and conditions contained herein for reasons other than the default of the Vendors, the Vendors shall be entitled to terminate this Provisional Agreement in which event the whole sum of the Initial Deposit and the Additional Deposit and all moneys paid under the Provisional Agreement shall be absolutely forfeited (as liquidated damages and not as penalty) by the Vendors and the Vendors shall be at liberty to resell the Sale Shares and the Sale Loans and the Property to mitigate its losses (if any) and any increase in price in such resale shall belong to the Vendors. Without prejudice to the Vendors' right to recover the actual loss and damages which may flow from the Purchaser's breach of this Agreement, on such resale any deficiency in price (after taken into account the Initial Deposit and the Additional Deposit forfeited) shall be made good and all expenses attending such resale or any attempted resale shall be borne by the Purchaser and such deficiency and expenses shall be recoverable by the Vendors as and for liquidated damages. This clause shall not preclude or be deemed to preclude the Vendors from taking other steps or remedies to enforce the Vendors' right hereunder by specific performance or otherwise or prevent the Vendors from recovering against the Purchaser in addition to the Initial Deposit and the Additional Deposit, such other damage which may be suffered by the Vendors by reason of the Purchaser's failure.

If the Vendors shall for any cause (other than due to the default of the Purchaser) fail to complete the Acquisition in accordance with the terms and conditions contained herein, all the deposits paid by the Purchaser pursuant to the provisions of the Provisional Agreement shall be returned to the Purchaser forthwith but without prejudice to the right of the Purchaser to recover from the Vendors damages (if any) which the Purchaser may sustain by reason of the failure on the part of the Vendors to complete the Acquisition and it shall not be necessary for the Purchaser to tender the completion documents to the Vendors.

Formal Agreement

Pursuant to the Provisional Agreement, the Vendors and the Purchaser shall enter into the Formal Agreement on or before 10 May 2019.

Completion

Completion is expected to take place on the Completion Date after the conditions precedent have been fulfilled or waived.

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

INFORMATION ON THE GROUP AND THE PURCHASER

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 Purchaser 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.

INFORMATION ON THE 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 owned as to 10% by Celinal Limited and as to 90% by West Coast International Limited and its principal asset is the Property.

INFORMATION ON 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.

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 certain financial information of the Target Company based on the audited financial information of the Target Company for the year ended 31 December 2017 and the unaudited financial information of the Target Company for the year 31 December 2018 as provided by the Vendors:

	For the year ended / as at 31 December 2018	For the year ended / as at 31 December 2017
	(unaudited)	(audited)
	HK\$	HK\$
Revenue	1,104,626	1,104,624
Profit before taxation	779,676	735,019
Profit after taxation	779,676	643,742
Net assets	4,610,761	3,831,084

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in property development and property investment for sale, rental or capital appreciation. Upon Completion, the Target Company, which owns the Property, will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements. The Property is subject to existing tenancies with a monthly rental of approximately HK\$92,052 and will be classified as investment property in the consolidated financial position of the Group. The Directors are of the view that the Acquisition will provide opportunities for the Group to expand its property portfolio and enhance the revenue stream of the Group. The Directors believe that the Acquisition represents an attractive investment opportunity for the Group and the Group may also benefit from any long term capital appreciation.

The Acquisition will be financed by the internal resources of the Group.

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

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempt from Shareholders' approval under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loans by the Purchaser from the Vendors pursuant to the terms and conditions of the Provisional Agreement and the Formal Agreement
“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 Acquisition
“Completion Date”	31 October 2019
“Consideration”	the total consideration of HK\$49,380,000 payable by the Purchaser to the Vendors for the sale and purchase of the Sale Shares and the Sale Loans
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Vendors and the Purchaser on or before 10 May 2019 in relation to the Acquisition
“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)

“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
“Provisional Agreement”	the provisional sale and purchase agreement dated 3 May 2019 and entered into between the Vendors and the Purchaser in relation to the Acquisition
“Purchaser”	Ritzly 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
“Sale Loans”	the Vendors’ loan advance due and payable, free from all encumbrances (including all rights and interests of the Target Company in the Property) owing by the Target Company to the Vendors and their respective associates (if any) as at the Completion Date
“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, which is beneficially owned as to 10% by Celinal Limited and as to 90% by West Coast International Limited as at the date of this announcement
“Vendors”	Celinal Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and West Coast International Limited, a company incorporated under the laws of Hong Kong, both are independent third parties not connected with the Company and its connected person

“Vendors Guarantor”

Glory Sky International Limited, a company incorporated in Hong Kong with limited liability, which is beneficially owned as to 0.01% by Celinal Limited and as to 99.99% by West Coast International Limited as at the date of this announcement

“%”

per cent.

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

Hong Kong, 3 May 2019

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 Mr. Shiu Siu Tao, Mr. Lee Chung Ming Eric and Ms. Chan Wah Man Carman.