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SIN  STAR

中國華星

China Sinostar Group Company Limited

中國華星集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

**DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED
ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET
COMPANY**

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 27 September 2019 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors have entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire from the Vendors and the Vendors have conditionally agreed to sell to the Purchaser the Target Equity Interest at the consideration of RMB20,000,000 (equivalent to approximately HK\$21,980,000).

Upon Completion, the Target Company is expected to be accounted for as an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as calculated in accordance with the Listing Rules) are 5% or more but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under the Chapter 14 of the Listing Rules.

As Completion is conditional upon fulfilment of the conditions precedent set out in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 27 September 2019 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors have entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire from the Vendors and the Vendors have conditionally agreed to sell to the Purchaser the Target Equity Interest at the consideration of RMB20,000,000 (equivalent to approximately HK\$21,980,000).

Principal terms of the Acquisition Agreement are set out below.

THE ACQUISITION AGREEMENT

Date: 27 September 2019

Parties: (i) Ms. Wang (as vendor);
(ii) Huanren Jinfeng (as vendor); and
(iii) the Purchaser.

Both Ms. Wang and Huanren Jinfeng are the legal and beneficial owners of the Target Company and have 95% and 5% equity interest of the Target Company respectively. Huanren Jinfeng is wholly-owned by Mr. Wang Huichun, an Independent Third Party. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vendors and their associates is an Independent Third Party.

The Target Equity Interest

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire the Target Equity Interest, which represents the entire issued share capital of the Target Company.

The Consideration

Pursuant to the terms of the Acquisition Agreement, the Consideration of RMB20,000,000 (equivalent to approximately HK\$21,980,000) shall be paid in cash by the Purchaser to the Vendors as follows:–

- (i) as to RMB2,000,000 (equivalent to approximately HK\$2,198,000) shall be paid to Huanren Jinfeng within two days from the date of the Acquisition Agreement as deposit, the entirety of which shall be regarded as partial settlement of the Consideration within five Business Days from the date of the fulfillment of all the conditions precedent or such later date as may be agreed by both the Purchaser and Vendors; and
- (ii) the remaining balance of RMB18,000,000 (equivalent to approximately HK\$19,782,000) shall be paid to Huanren Jinfeng on or before 26 December 2019.

The Consideration was determined after arm's length negotiations among the parties mainly with reference to the net asset value of the Target Company as of 26 September 2019.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions precedent

The Completion is conditional upon the fulfillment (or waiver, as the case may be) of the following conditions precedent:

- (i) the Purchaser having completed and being satisfied with the results of its due diligence on the Target Company in relation to the Target Company's assets, operations, legal status, financial standing and other status;
- (ii) the Purchaser and the Vendors having obtained all necessary approvals, consents and authorisations from any regulatory authorities and any third parties;
- (iii) the Purchaser being satisfied that there is no material breach of the terms and conditions of the Acquisition Agreement by the Vendors at any time before the Completion; and
- (iv) the representations and warranties given by the Vendors in the Acquisition Agreement remaining true, accurate and correct in all material respects and not misleading as if the representations and warranties are repeated by the Vendors at all times from the date of the Acquisition Agreement to the Completion.

If the above conditions precedent have not been fulfilled or waived at the sole discretion of the Purchaser (other than conditions (ii) and (iii) which may not be waived) on or before the Long Stop Date or such later date as may be agreed by both the Purchaser and Vendors, the Acquisition Agreement shall cease and terminate and Huanren Jinfeng shall forthwith refund the deposit of RMB2,000,000 (equivalent to approximately HK\$2,198,000) to the Purchaser within five Business Days upon receipt of notification from the Purchaser. No party shall have any obligations and liabilities thereunder and no party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies, save for antecedent breaches.

Completion

The Completion shall take place within five Business Days or such later date as may be agreed by both the Purchaser and Vendors following the satisfaction of all conditions precedent, the Vendors shall transfer the Target Equity Interest to the Purchaser and complete the registration of relevant change of shareholding with local authorities. Upon Completion, the Target Company is expected to be accounted for as an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE PARTIES TO THE ACQUISITION AGREEMENT

The Purchaser is an investment holding company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

The Vendors are Ms. Wang, a PRC citizen and Huanren Jinfeng, a company established in the PRC with limited liability and is engaged in the business of landscaping, planting and sales of seedlings, flowers and lawns, and sales of decoration materials. Ms. Wang and Huanren Jinfeng own 95% and 5% equity interest of the Target Company respectively.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability on 26 January 2018 and principally engaged in property development and property sale, property rental, property advisory, property management and car parking services. As at the date of the Acquisition Agreement, the major asset of the Target Company is the Land Use Right.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are certain unaudited financial information of the Target Company for the period from its incorporation (i.e. 26 January 2018) to 26 September 2019:

	For the period from its incorporation (i.e. 26 January 2018) to 31 December 2018 (unaudited) <i>RMB'000</i>	For the period from 1 January 2019 to 26 September 2019 (unaudited) <i>RMB'000</i>
Revenue	–	–
Net loss before tax	12	4
Net loss after tax	12	4

The unaudited net asset values of the Target Company as at 31 December 2018 and 26 September 2019 were approximately RMB19,988,000 and RMB19,984,000 respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal business of the Group are design and sale of electronic products, operation and management of hydroelectric power stations, properties investment, properties development and securities trading.

The Directors consider that the Target Company's business can strengthen the Group's business development capability under the current economic condition and generate continuous growth for the Group.

As disclosed in the annual report of the Company for the year ended 31 March 2019, the Company is optimistic towards the properties development business and will continue to seek for potential investment opportunities. The Company, through the Acquisition, indirectly acquires the Land Use Right. The Company considers that the supply of land in Huanren County, Benxi City, Liaoning Province is limited and is optimistic about the growth and prospect in the property market. It is expected the Acquisition could provide opportunities for the Group to further expand its property development business in the PRC and strengthen the business structure of the Group and enhance return to the Company and the Shareholders.

Having considered the above, the Directors consider that the terms and conditions of the Acquisition Agreement is on normal commercial terms and the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as calculated in accordance with the Listing Rules) are 5% or more but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under the Chapter 14 of the Listing Rules.

As Completion is conditional upon fulfillment of the conditions precedent set out in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless that context otherwise requires.

“Acquisition”	the proposed acquisition of the Target Equity Interest by the Purchaser from the Vendors pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 27 September 2019 entered into between the Purchaser and the Vendors in relation to the Acquisition
“associate(s)”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and Sunday) on which licensed banks in Hong Kong are open for business

“Company”	China Sinostar Group Company Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 485)
“Completion”	completion of the Acquisition in accordance with the Acquisition Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of RMB20,000,000 for the Acquisition
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Huanren Jinfeng”	Huanren Jinfeng Miaomu Company Limited* (桓仁津楓苗木有限公司), a company established in the PRC with limited liability and an Independent Third Party
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party independent of and not connected with the Company and its connected person and not otherwise a connected person of the Company
“Land Use Right”	the land use right of a parcel of land located at Bagua Town, Huanren County, Benxi City, Liaoning Province, the PRC with a floor area of approximately 9,188.2 sq.m and for other commercial use
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	on or before 10 October 2019
“Ms. Wang”	Ms. Wang Huiqin (王會芹), an Independent Third Party
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, does not include the Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Benxi Xinshijie Shiye Company Limited* (本溪新世界實業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Benxi Zhongfu Property Development Company Limited* (本溪中富房地產開發有限公司), a company established in the PRC with limited liability and wholly-owned by the Vendors as at the date of this announcement
“Target Equity Interest”	the entire equity interest in the Target Company
“Vendors”	Ms. Wang and Huanren Jinfeng
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By order of the Board of
China Sinostar Group Company Limited
Wang Xing Qiao
Executive Director and Chief Executive Officer

Hong Kong, 27 September 2019

* *for identification purpose only*

For the purpose of this announcement, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.099. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

As at the date of this announcement, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; and Mr. Wang Ping, Mr. Song Wenke and Mr. Zeng Guanwei as independent non-executive Directors.

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