

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information purposes only and does not constitute as invitation or offer to acquire, purchase or subscribe for the securities of the Company.*

**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  
INVOLVING ISSUE OF CONSIDERATION SHARES  
UNDER GENERAL MANDATE**

**THE ACQUISITION AGREEMENT**

The Board is pleased to announce that on 25 March 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 RMB10.0 million (equivalent to approximately HK\$11.69 million), which will be satisfied (i) as to RMB9.0 million (equivalent to approximately HK\$10.52 million) by the allotment and issue of the Consideration Shares; and (ii) as to RMB1.0 million (equivalent to approximately HK\$1.17 million) in cash.

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 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 25 March 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 RMB10.0 million (equivalent to approximately HK\$11.69 million), which will be satisfied (i) as to RMB9.0 million (equivalent to approximately HK\$10.52 million) by the allotment and issue of the Consideration Shares; and (ii) as to RMB1.0 million (equivalent to approximately HK\$1.17 million) in cash.

Principal terms of the Acquisition Agreement are set out below.

## **THE ACQUISITION AGREEMENT**

Date: 25 March 2019

Parties: (1) Ms. Chu  
(2) Benxi Zhongfu; and  
(3) the Purchaser.

Each of the Vendors is the legal and beneficial owner of 50% equity interest of the Target Company, whilst Benxi Zhongfu is wholly-owned by Ms. Chu. 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 Shares**

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 RMB10.0 million (equivalent to approximately HK\$11.69 million) will be satisfied (i) as to RMB9.0 million (equivalent to approximately HK\$10.52 million) by the allotment and issue of the Consideration Shares at the Issue Price to Ms. Chu and (ii) as to RMB1.0 million (equivalent to approximately HK\$1.17 million) by the payment of cash to Benxi Zhongfu.

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 21 March 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.

## **The Consideration Shares**

The Consideration Shares, i.e., 280 million new Shares, will be allotted and issued under the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 795,359,512 Shares. Accordingly, the issue of the Consideration Shares is not subject to any further approval by the Shareholders. As at the date of this announcement, no Share has been issued under the General Mandate.

The Consideration Shares represent: (i) approximately 7.04% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will, upon issue, be credited as fully paid, and will rank *pari passu* in all respects with all the Shares then in issue on the date of the allotment and issue of the Consideration Shares.

An application for the listing of, and permission to deal in, the Consideration Shares will be made by the Company to the Stock Exchange.

## **Issue Price**

The Issue Price represents:

- (i) a discount of approximately 3.6% to the closing price of HK\$0.039 per Share as quoted on the Stock Exchange on the date of the Acquisition Agreement;
- (ii) a discount of approximately 8.3% to the average closing price of approximately HK\$0.041 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Acquisition Agreement; and

- (iii) a discount of approximately 13.6% to the average closing price of approximately HK\$0.0435 per share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Acquisition Agreement.

The Issue Price was arrived at after arm's length negotiations among the parties with reference to the prevailing market price of the Shares. The Directors (including the independent non-executive Directors) consider the Issue Price is fair and reasonable.

### **Conditions Precedent**

The Completion is conditional upon the fulfilment (or waiver) of the below 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 obtaining of all necessary approvals, consents and authorisations from any regulatory authorities and any third parties;
- (iii) the Stock Exchange having granted the listing of, and permission to deal in the Consideration Shares;
- (iv) 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
- (v) 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, the Acquisition Agreement shall cease and terminate and 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**

Within two Business Days from the date of fulfilment (or waiver) of the conditions precedent, the purchaser shall pay RMB1.0 million (equivalent to approximately HK\$1.17 million) in cash to Benxi Zhongfu. Within five Business Days from the date of fulfilment (or waiver) of the conditions precedent, the Vendors shall transfer the Target Equity Interest to the Purchaser. Within ten Business

Days from the date of fulfilment (or waiver) of the conditions precedent, the Company shall allot and issue the Consideration Shares at the Issue Price to Ms. Chu. Upon Completion, the Target Company is expected to be accounted for as an indirect wholly-owned subsidiary of the Company.

## EFFECT OF 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 Consideration Shares:

	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares	
	<i>No. of Shares</i>	<i>approx.</i>	<i>No. of Shares</i>	<i>approx.</i>
Achieve Prosper Capital Limited ( <i>Note 1</i> )	2,171,827,290	54.61%	2,171,827,290	51.02%
Lushan Investment Holding Limited ( <i>Note 2</i> )	746,086,956	18.76%	746,086,956	17.53%
Ms. Chu	–	–	280,000,000	6.58%
Other public shareholders	<u>1,058,883,315</u>	<u>26.63%</u>	<u>1,058,883,315</u>	<u>24.87%</u>
Total	<u>3,976,797,561</u>	<u>100.00%</u>	<u>4,256,797,561</u>	<u>100.00%</u>

### Notes:

1. Achieve Prosper Capital Limited is wholly and beneficially owned by Hong Kong Shihua Holdings Limited, which is in turn wholly and beneficially owned by Liaoning Shihua (Group) Property Development Limited\* (遼寧實華(集團)房地產開發有限公司). Mr. Wang Jing is the sole director and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua (Group) Property Development Limited\* (遼寧實華(集團)房地產開發有限公司).
2. Lushan Investment Holding Limited is wholly and beneficially owned by China Huarong International Holdings Limited, which in turn is owned as to 88.10% by Huarong Real Estate Co., Ltd., which in turn is wholly and beneficially owned by China Huarong Asset Management Co., Ltd.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability on 23 April 2018 and principally engaged in construction, sale of construction materials, property rental, education consultation, car parking services, advertising, and property management. As at the date of the Acquisition Agreement, the major asset of 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. 23 April 2018) to 21 March 2019:

	<b>For the period from its incorporation (i.e. 23 April 2018) to 21 March 2019 (unaudited) RMB'000</b>
Net loss (before tax)	6
Net loss (after tax)	6
Total assets	21,834
Net assets	9,994

## 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 of construction, sale of construction materials, property rental, education consultation, car parking services, advertising, and property management can strengthen the Group's business development capability under the current economic condition.

The Directors also consider that the Acquisition could provide opportunities for the Group to expand its properties development business in the PRC. As disclosed in the annual report of the Company for the year ended 31 March 2018, the Group will adhere to its strategy of focusing on the business in properties development and will prudently explore new business opportunities so as to strengthen and broaden the revenue stream of the Group and generate a better result and prospect for the Group. The Company, through the Acquisition, indirectly acquires the Land Use Right. The Company considers that the supply of land in Huanren County, Benxi, Liaoning Province is limited and is optimistic about the growth and prospect in the property market. It is expected that the Acquisition will strengthen the business structure of the Group and enhance return to the Company and the Shareholders.

The Board considers that the settlement of the Consideration (i) as to RMB9.0 million (equivalent to approximately HK\$10.52 million) by way of the allotment and issue of the Consideration Shares and (ii) as to RMB1.0 million (equivalent to approximately HK\$1.17 million) in cash will not create

significant cash outlay of the Group. The Directors consider that the Acquisition Agreement is on normal commercial terms and the Acquisition is fair and reasonable and in the interests 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 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 25 March 2019 entered into between the Purchaser and the Vendors in relation to the Acquisition
“associate(s)”	the meaning ascribed thereto in the Listing Rules
“Benxi Zhongfu”	Benxi Zhongfu Property Development Company Limited* (本溪中富房地產開發有限公司)
“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 RMB10.0 million for the Acquisition
“Consideration Shares”	a total of 280,000,000 new Shares to be allotted and issued pursuant to the Acquisition Agreement
“Director(s)”	director(s) of the Company
“General Mandate”	the general unconditional mandate granted by the Shareholders to the Board at the annual general meeting of the Company held on 21 September 2018 to allot, issue and deal with up to 795,359,512 new Shares which may be allotted and issued by the Company
“Group”	the Company and its subsidiaries
“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
“Issue Price”	HK\$0.0376 per Consideration Share
“Land Use Right”	the land use right of a parcel of land located at Bagua City, Huanren County, Benxi, Liaoning Province with a floor area of approximately 5,023 sq.m and construction area of approximately 7,500 sq.m and for other commercial use
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2019
”Ms. Chu”	Ms. Chu Xuefeng (褚雪峰)
“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
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company

“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Benxi Zhongfu Shiye Company Limited* (本溪中富實業有限公司), 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. Chu and Benxi Zhongfu
“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 Jing**  
Chairman

Hong Kong, 26 March 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\$1.16849. 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. Cheng Tai Kwan Sunny and Mr. Song Wenke 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.*