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INDIGO STAR HOLDINGS LIMITED
靛藍星控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8373)

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF 20% ISSUED SHARE CAPITAL OF
THE TARGET COMPANY INVOLVING
ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE
AND
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR**

THE ACQUISITION

The Board is pleased to announce that on 11 August 2020 (after trading hours of the Stock Exchange), the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 20% issued share capital of the Target Company, at the Consideration of HK\$9,000,000 (subject to adjustment). The Consideration shall be satisfied by way of issue of the Convertible Bonds by the Company to the Vendor (or his nominee(s)) in the principal amount being equivalent to the Consideration or the Adjusted Consideration (as the case may be), at an initial Conversion Price of HK\$0.349 per Conversion Share.

As at the date of this announcement, the Target Company is wholly-owned by the Vendor. Upon Completion, the Target Company will be owned as to 80% by the Vendor and 20% by the Company (or its nominee). As such, the Target Company will be accounted for as an associate company of the Company.

PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR

It is proposed that upon Completion, Mr. Yip will be appointed as a non-executive Director.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Further, as the Vendor, a substantial shareholder of the Target Company, will be nominated as a non-executive Director and may become a controller of the Company as a result of the Acquisition (subject to the Independent Shareholders' approval at the EGM), the Acquisition constitutes a connected transaction on the part of the Company pursuant to Rule 20.26 of the GEM Listing Rules. As such, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

None of the Directors has material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Convertible Bonds) and the Appointment, and therefore no Director is required to abstain from voting on the relevant resolutions of the Board.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Convertible Bonds).

The Independent Board Committee comprising Mr. Ma Yiu Ho Peter, Mr. Yip Ki Chi Luke, Mr. Zhou Guangguo and Mr. Clay Huen, being all the independent non-executive Directors, will be established to give a recommendation to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed with approval of the Independent Board Committee to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard.

The voting in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder will be conducted by way of poll. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Convertible Bonds). Therefore, no Shareholder is required to abstain from voting on the relevant resolutions at the EGM.

A circular containing, among other matters, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same regard; (iv) financial information of the Group; (v) financial information of the Target Company; and (vi) a notice of the EGM, is expected to be despatched to the Shareholders on or before 16 October 2020 as additional time is required for the preparation of the relevant information to be included in the circular.

Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent as set out in the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE ACQUISITION

The Board is pleased to announce that on 11 August 2020 (after trading hours of the Stock Exchange), the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 20% issued share capital of the Target Company, at the Consideration of HK\$9,000,000 (subject to adjustment). The Consideration shall be satisfied by way of issue of the Convertible Bonds by the Company to the Vendor (or his nominee(s)) in the principal amount being equivalent to the Consideration or the Adjusted Consideration (as the case may be), at an initial Conversion Price of HK\$0.349 per Conversion Share.

THE SALE AND PURCHASE AGREEMENT

Set out below is a summary of the principal terms of the Sale and Purchase Agreement:

Date: 11 August 2020

- Parties:
1. Mr. Yip Chi Keung, as the Vendor
 2. the Company, as the purchaser and the issuer of the Convertible Bonds

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party as at the date of this announcement.

Assets to be acquired

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 20% of the issued shares of the Target Company. As at the date of this announcement, the Target Company is wholly-owned by the Vendor.

Consideration

Subject to the adjustment arrangements as described under the paragraph headed "Profit guarantee" below and the exercise of the Put Option, the Consideration shall be the sum of HK\$9,000,000, which shall be satisfied by way of issue of the Convertible Bonds by the Company to the Vendor (or his nominee(s)) in the principal amount being equivalent to the Consideration or the Adjusted Consideration (as the case may be), at an initial Conversion Price of HK\$0.349 per Conversion Share, within 30 Business Days from the issue date of the Guarantee Certificate.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor with reference to, amongst others, (i) the financial position of the Target Company; (ii) the Guaranteed Profit; (iii) downside investment risk, if any, being safeguarded by the grant of the Put Option; and (iv) the benefits to be derived by the Group from the Acquisition as described under the section headed "Reasons for and benefits of the Acquisition" below.

Taking into account the above-mentioned, the Directors consider that the Consideration is fair and reasonable and on normal commercial terms and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Profit guarantee

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor irrevocably and unconditionally warrants and guarantees to the Company (or its nominee) that the audited profits after tax of the Target Company calculated in accordance with the HKFRS as shown in its audited financial statements for the year ending 31 March 2021 (the “**Guaranteed Period**”) issued by the Auditors shall not be less than HK\$5 million (the “**Guaranteed Profit**”).

If the Actual Profit is less than the Guaranteed Profit, the Company shall be entitled to deduct from the Consideration an amount (equivalent to “A” below) (the “**Profit Shortfall**”) calculated as follows:

$$A = (B - C) \times D$$

Where

B	=	HK\$5 million
C	=	the Actual Profit
D	=	the P/E Ratio of 9 times adopted by the Directors in the determination of the Consideration

For the avoidance of doubt, should the Target Company record a loss in its audited financial statements for the Guaranteed Period, the Actual Profit shall, for the purpose of adjustment to the Consideration only, be deemed as zero.

In the event that the Guaranteed Profit is not met, the Consideration shall be adjusted so that the Consideration payable shall be equivalent to the Consideration less the Profit Shortfall (the “**Adjusted Consideration**”).

Put Option

Subject to Completion, the Vendor has irrevocably granted the Company (or its nominee, as the case may be) the option to require the Vendor to purchase all the Sale Shares from the Company (or its nominee, as the case may be) at a purchase price (the “**Put Option Price**”) equivalent to the amount of the Consideration or the Adjusted Consideration (as the case may be) (the “**Put Option**”) at any time commencing from the date on which the following occurs, whichever is earlier: (a) the Vendor has committed a material breach of any provisions of the Shareholders’ Agreement; or (b) the Actual Profit is less than the audited profits after tax of the Target Company for the year ended 31 March 2020, and ending on a date falling five (5) Business Days after the issue date of the Guarantee Certificate. The Put Option Price shall be satisfied by the Vendor by offsetting the amount of Consideration or Adjusted Consideration (as the case may be) payable by the Company to the Vendor under the terms and conditions of the Sale and Purchase Agreement.

Conditions precedent

Completion shall be conditional upon and subject to the following conditions having been satisfied or waived (as the case may be):

- (a) the Company being satisfied with the results of the due diligence review on the Target Company to be conducted pursuant to the terms and conditions of the Sale and Purchase Agreement;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (c) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (d) the warranties given by the Vendor as set out in the Sale and Purchase Agreement remaining true and accurate in all respects;
- (e) the passing by the Independent Shareholders at an extraordinary general meeting to be convened and held in accordance with the requirements of the GEM Listing Rules, of an ordinary resolution to approve, the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights attached to the Convertible Bonds, as applicable; and
- (f) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares.

The Company may at its absolute discretion at any time waive in writing any of the conditions (a) and (d) above and such waiver may be made subject to such terms and conditions as are determined by the Company. All other conditions are incapable of being waived. If the conditions set out above have not been satisfied (or as the case may be, waived by the Company) on or before 4:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall cease and be terminated, and thereafter none of the parties to the Sale and Purchase Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the third Business Day after the fulfillment (or waiver) of the conditions precedent mentioned above, or such later date as the Vendor and the Company may agree in writing.

Upon Completion, the Target Company will be owned as to 80% by the Vendor and 20% by the Company (or its nominee). As such, the Target Company will be accounted for as an associate company of the Company and the financial performance of the Target Company will not be consolidated in the financial statements of the Company.

The Shareholders' Agreement

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Company (or its nominee), the Vendor and the Target Company shall upon Completion execute the Shareholders' Agreement setting out the terms and conditions regulating the relationship among the Target Company and its shareholders and the manner in which the affairs of the Target Company are to be regulated after Completion. Set out below is the summary of some of the proposed principal terms of the Shareholders' Agreement:

(i) Board composition and board resolutions

Unless otherwise agreed in writing by all the shareholders of the Target Company, the board of directors of the Target Company shall comprise three directors, of whom two directors shall be appointed or removed at the request of the Vendor and one director shall be appointed or removed at the request of the Company (or its nominee). The quorum for a board meeting shall be two directors, in which one of them must be a director nominated by the Vendor or his/her alternate for the time being and one of them must be a director nominated by the Company (or its nominee) or his/her alternate for the time being. Save for matters requiring unanimous consent (including but not limited to, the creation or issue of shares or grant of options of the Target Company; the capitalisation, repayment or other form of distribution; participating in or agreeing to propose in any action of closure, termination or dissolution of the Target Company; and the material change in the nature or the scope of business of the Target Company), resolutions are to be decided by a majority of votes. In the event of an equality of votes, the chairman of the meeting shall be entitled to a second or casting vote. The chairman of the board of the Target Company shall be nominated by the Vendor.

(ii) Restriction on transfer

If any shareholder of the Target Company proposes to transfer any shares of the Target Company to a third party, the other shareholder(s) of the Target Company shall have the right of first refusal to purchase such shares. Notwithstanding the aforementioned, the shareholders of the Target Company shall be permitted at any time to make a transfer of all (but not part) of the shares of the Target Company held by them to their associates.

(iii) Pre-emption on issue of shares

Unless unanimous consent has been reached by the shareholders of the Target Company, no new shares of the Target Company shall be allotted or issued to any person. The Target Company grants to each of its shareholders a right to purchase up to a pro rata share of any new shares that the Target Company may, from time to time, propose to sell or issue. In the event that none of its shareholders has exercised its pre-emptive right, the Target Company may sell any new shares at a price and upon terms no more favourable to the purchasers thereof than that offered to its existing shareholders.

ISSUE OF THE CONVERTIBLE BONDS

Set out below is a summary of the principal terms of the Convertible Bonds:

Issuer:	The Company
Principal amount:	up to HK\$9,000,000
Interest:	The Convertible Bonds shall bear no interest
Maturity date:	The date falling on the first anniversary of the date of issue of the Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date (the “ Maturity Date ”)

Conversion right and limitation:	<p>A Bondholder shall have the right at any time during the Conversion Period to convert the whole or part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds registered in its name into Conversion Shares at the Conversion Price, provided that only a portion of the principal amount of the Convertible Bonds may be converted such that (i) the conversion of such portion of the principal amount of the Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of the Code on Takeovers and Mergers on the part of the Bondholder(s) which exercised the Conversion Rights; (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules for the minimum percentage of Shares being held by the public as per Rule 11.23(7) of the GEM Listing Rules) of the issued Shares at the time in compliance with the GEM Listing Rules; and (iii) the conversion will not cause a change of control of the Company (“Conversion Conditions”).</p> <p>Subject to the Conversion Conditions, the Company has the absolute right to require the Bondholder to mandatorily convert any Convertible Bonds remaining outstanding at Maturity Date into Conversion Shares at the then applicable Conversion Price any Convertible Bonds remaining outstanding at Maturity Date.</p>
Conversion Price:	<p>The initial Conversion Price shall be HK\$0.349 per Conversion Share, subject to adjustments</p>
Transferability:	<p>The Bondholder shall not transfer the Convertible Bonds to any connected person of the Company or any other persons other than its affiliates. The Convertible Bonds may be assigned or transferred in whole (but not in part) to its affiliates with the prior written notification to the Company, subject to compliance with the applicable laws. Immediately upon the transferee ceasing to be an affiliate of the initial Bondholder, the initial Bondholder shall procure the Convertible Bonds be re-transferred to the initial Bondholder.</p>

Conversion Price adjustments:	<p>The initial Conversion Price may be adjusted due to the occurrence of the following:</p> <ul style="list-style-type: none"> (i) consolidation or sub-division or reclassification of Shares; (ii) the Company issuing Shares credited as fully paid by capitalisation of profits or reserves; (iii) the Company making a capital distribution in cash or specie to the Shareholders; or (iv) the Company offering the Shareholders new shares for subscription by way of rights, or granting shareholders any options, warrants or other rights to subscribe for or purchase any Shares, at a price which is less than 80% of the current market price per Share on the trading day preceding the date of the announcement of the terms of the offer or grant.
Ranking of Conversion Shares:	<p>The Conversion Shares issued upon conversion of the Convertible Bonds shall in all respects rank pari passu with the Shares in issue on the relevant date of allotment and issue of such Conversion Shares.</p>
Redemption:	<p>Following the occurrence of an Event of Default, the Bondholder has the right at its option, to require the Company to redeem all (or any portion of the principal amount thereof) of the Convertible Bonds on the fifth Business Day after the date of notice of redemption completed and signed by the Bondholder to the Company at their principal amount.</p> <p>Following the occurrence of (i) the cessation of listing of the Shares on the Stock Exchange or (ii) a change of control in the Company, the Bondholder will have the right at its option, to require the Company to redeem all (or any portion of the principal amount thereof) of the Convertible Bonds on the tenth Business Day after the date of notice of redemption completed and signed by the Bondholder to the Company at their principal amount.</p> <p>Except as otherwise provided above, no outstanding amount of Convertible Bonds shall be redeemed at the request of the Company nor the Bondholders from the date of issue of the Convertible Bonds until and on the Maturity Date (both days included).</p>

Event of default:

Any of the following events shall constitute an event of default (“**Event of Default**”):

(i) Failure to pay:

the Company fails to pay the principal amount and entitlements due in respect of any of the Convertible Bonds, and such default is not cured within thirty (30) days;

(ii) Insolvency:

the Company is insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Company; or if an administrator or liquidator of the Company or the whole or any substantial part of the assets and revenues of the Company is appointed (or application for any such appointment is made);

(iii) Winding-up:

any action, legal proceedings or other procedure or step is taken (or any analogous procedure or step is taken in any jurisdiction) against the Company in relation to:

- (i) the winding-up, dissolution or reorganisation except a solvent liquidation;
- (ii) a composition, assignment or arrangement with any creditor; or
- (iii) the appointment of an administrator or a liquidator (except in respect of a solvent liquidation) or other similar officer in respect of any of the assets of the Company;

(iv) Cessation of listing and suspension of trading:

the Shares cease to be listed on the Stock Exchange or are suspended for the trading on the Stock Exchange for more than 90 consecutive trading days;

(v) Illegality:

it is or will become unlawful for the Company to perform its payment and/or delivery of Shares obligations under any of the Convertible Bonds.

Voting: The Bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only it being the Bondholder.

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

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Conversion Shares

Assuming the Conversion Rights attached to the Convertible Bonds are exercised in full at the Conversion Price, a maximum of 25,787,965 Conversion Shares will be allotted and issued. The Conversion Shares represent:

- (a) approximately 6.45% of the existing issued share capital of the Company as at the date of this announcement; and
- (b) approximately 6.06% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company).

The Conversion Shares shall be allotted and issued under the General Mandate. Under the General Mandate, the Company is authorised to allot, issue or otherwise deal with a maximum of 80,000,000 new Shares, being 20% of the issued capital of the Company as at the date of the annual general meeting of the Company held on 30 June 2020. As at the date of this announcement, none of the General Mandate has been utilised. Assuming the conversion of the Convertible Bonds in full based on the initial Conversion Price, the Convertible Bonds will be convertible into 25,787,965 new Shares. The General Mandate is sufficient for the allotment and issue of the Conversion Shares. Accordingly, the issue of the Convertible Bonds is not subject to the approval of the Shareholders.

Conversion Price

The initial Conversion Price of HK\$0.349 per Conversion Share represents:

- (a) a premium of approximately 2.65% over the closing price of HK\$0.340 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and
- (b) the average closing price of HK\$0.349 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately before the date of the Sale and Purchase Agreement.

The initial Conversion Price was arrived at after arm's length negotiations between the Vendor and the Company taking into account the prospects of the Group, the current situation of Hong Kong market and the recent closing prices of the Shares as quoted on the Stock Exchange up to and including the date of the Sale and Purchase Agreement.

PROPOSED APPOINTMENT OF A NON-EXECUTIVE DIRECTOR

It is proposed that upon Completion, Mr. Yip will be appointed as a non-executive Director.

Mr. Yip, aged 50, has been engaged in the business of construction, interior decoration and building renovation works for over 20 years and is the sole director of the Target Company as at the date of this announcement. He was the president of Rotary Club of Tsuen Wan from 2017 to 2018. He has been appointed to be the advisor for World Green Organisation, an independent non-governmental organisation founded to conserve the environment and promote a sustainable future, especially in transforming urban lifestyle in both developed and developing countries/cities through its Expert Network and Community Programs, since August 2019. He was admitted as a member of (i) the Chartered Institute of Building; (ii) the Association for Project Management; (iii) the Hong Kong Institute of Construction Managers; and (iv) the Chartered Institute of Arbitrators, and was elected as an associate member of The Australian Institute of Quantity Surveyors.

Mr. Yip obtained a Higher Certificate in Building Studies and Post-Experience Certificate in Building Studies from The Hong Kong Polytechnic University in 1991 and 1992 respectively. Mr. Yip holds a Diploma in Surveying from The College of Estate Management in United Kingdom, a Postgraduate Diploma in Construction Project Management from the The University of Hong Kong, a Diploma in Construction Site Safety Officer (CSO) from Construction Industry Training Authority. He was awarded a Master of Science in Construction Project Management in 2007 by the University of Greenwich in United Kingdom (through distance learning) and a Bachelor of China Law in 2005 by China University of Political Science and Law* (中國政法大學), Beijing of Mainland China (through distance learning). He obtained a Postgraduate Certificate in Building Engineering in HKU School of Professional and Continuing Education and a Bachelor of Science in Building Surveying from Heriot-Watt University in the United Kingdom in 2009 and 2013 respectively.

The Company will make further announcement(s) upon formal appointment of Mr. Yip as the non-executive Director.

INFORMATION OF THE TARGET COMPANY

(i) The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and principally engaged in the construction, interior decoration and building renovation works. It has also engaged in the industrial building revitalisation projects which the Hong Kong government is currently promoting. The Target Company acts as a main contractor role to lead its projects. Its client base includes property developers, international fund investment firm, luxurious hotel group and prestigious commercial bank.

(ii) Financial information of the Target Company

Set out below is the audited financial information of the Target Company for the year ended 31 March 2019 and the unaudited financial information of the Target Company for the year ended 31 March 2020, which were prepared in accordance with the generally accepted accounting standards of Hong Kong:

	For the financial year ended	
	31 March	
	2019	2020
	HK\$'000	HK\$'000
	(audited)	(unaudited)
Revenue	31,938	57,070
Profit before taxation	2,597	2,868
Profit after taxation	2,341	2,575

According to the unaudited financial statements prepared in accordance with the generally accepted accounting standards of Hong Kong, the net asset value of the Target Company as at 31 March 2020 is approximately HK\$10,604,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is an established subcontractor in Singapore specialising in providing reinforced concrete works, which mainly cover steel reinforcement works, formwork erection and concrete works. The Group may provide such services either individually or as a total package comprising all three, depending on the requirements of customers.

As disclosed in the annual report of the Company for the year ended 31 December 2019, the Group has involved in the projects as the main contractor and will continue to identify main contractor works and subcontracting works to capture more potential business opportunities in Singapore. As disclosed in the section “Information of the Target Company”, the Target Company is principally engaged in the construction, interior decoration and building renovation works in Hong Kong, and acts as a main contractor role to lead its projects. The Directors are of the opinion that the Acquisition offers the Group an invaluable opportunity to step forward in strengthening and to further expand the Group’s existing business segment by widening the spectrum from concrete works to the interior decoration and building renovation works to expand its business scope in the construction industry. The Directors believe that the Group could leverage on the well established track record of the Target Company and the expertise of the management team of the Vendor to foster and further enhance the development of the business segments being carried on by the Group, enhancing the value of the Group and maximising the returns to the Shareholders.

In view of the foregoing, the Board (excluding the independent non-executive Directors whose view will be expressed after considering the advice of the Independent Financial Adviser) considers that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 400,000,000 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon full conversion of the Convertible Bonds based on the best knowledge, information and belief of the Directors:

	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Amber Capital Holdings Limited (<i>Note</i>)	204,800,000	51.20	204,800,000	48.10
Lai Ming Wai	39,200,000	9.80	39,200,000	9.21
Zhang He	37,000,000	9.25	37,000,000	8.69
The Vendor	—	—	25,787,965	6.06
Public Shareholders	119,000,000	29.75	119,000,000	27.95
Total	400,000,000	100.00	425,787,965	100.00

Note: Amber Capital Holdings Limited is a company incorporated in the British Virgin Islands with limited liability, and is owned as to approximately 96.77% by Mr. Goh Cheng Seng and approximately 3.23% by Ms. Tan Soh Kuan. Mr. Goh Cheng Seng is the executive Director, Chairman and Chief Executive Officer of the Company and the spouse of Ms. Tan Soh Kuan, who is also an executive Director.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Further, as the Vendor, a substantial shareholder of the Target Company, will be nominated as a non-executive Director and may become a controller of the Company as a result of the Acquisition (subject to the Independent Shareholders' approval at the EGM), the Acquisition constitutes a connected transaction on the part of the Company pursuant to Rule 20.26 of the GEM Listing Rules. As such, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

None of the Directors has material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Convertible Bonds) and the Appointment and therefore no Director is required to abstain from voting on the relevant resolutions of the Board.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Convertible Bonds).

The Independent Board Committee comprising Mr. Ma Yiu Ho Peter, Mr. Yip Ki Chi Luke, Mr. Zhou Guangguo and Mr. Clay Huen, being all the independent non-executive Directors, will be established to give a recommendation to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed with approval of the Independent Board Committee to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard.

The voting in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder will be conducted by way of poll. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Convertible Bonds). Therefore, no Shareholder is required to abstain from voting on the relevant resolutions at the EGM.

A circular containing, among other matters, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same regard; (iv) financial information of the Group; (v) financial information of the Target Company; and (vi) a notice of the EGM, is expected to be despatched to the Shareholders on or before 16 October 2020 as additional time is required for the preparation of the relevant information to be included in the circular.

Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent as set out in the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares by the Company (or its nominee) from the Vendor pursuant to the terms and conditions Sale and Purchase Agreement
“Actual Profit”	the actual audited profits after tax of the Target Company calculated in accordance with HKFRS for the Guaranteed Period as shown in the Guarantee Certificate
“Adjusted Consideration”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“Appointment”	the proposed appointment of the Vendor as a non-executive Director upon Completion

“Auditors”	an independent firm of auditors practising in Hong Kong whose appointment shall be approved by the Company
“Board”	the board of Directors
“Bondholder”	the holder of the Convertible Bonds
“Business Day”	a day, excluding public holidays, Saturdays and Sundays, on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Indigo Star Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (Stock Code: 8373)
“Completion”	completion of the Acquisition
“connected person”	has the meaning ascribed to it in the GEM Listing Rules
“Consideration”	a sum of HK\$9,000,000 (subject to adjustment), being the purchase price for the Sale Shares
“Conversion Conditions”	has the meaning ascribed thereto in the section headed “Issue of the Convertible Bonds” in this announcement
“Conversion Share(s)”	the new Share(s) which may be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Bonds to convert the principal amount of the Convertible Bonds into Shares pursuant to the terms and conditions of the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the principal amount of up to HK\$9,000,000 to be issued by the Company in favour of the Vendor in satisfaction of the Consideration pursuant to the terms and conditions of the Sale and Purchase Agreement

“Conversion Price”	HK\$0.349 per Conversion Share (subject to adjustments), being the initial conversion price of the Convertible Bonds
“Conversion Period”	the period commencing from the date of issue of the Convertible Bonds up to and including the Maturity Date
“Conversion Rights”	the rights of the Bondholder to convert the principal amount outstanding under the Convertible Bonds registered in its name into Shares subject to the terms and conditions of the Convertible Bonds
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Convertible Bonds)
“Event of Default”	has the meaning ascribed thereto in the section headed "Issue of the Convertible Bonds" in this announcement
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting held on 30 June 2020 to allot, issue and deal with Shares up to a maximum of 80,000,000 Shares, representing 20% of the aggregate number of Shares in issue as at the date of passing such resolution
“Group”	the Company and its subsidiaries
“Guarantee Certificate”	a certificate to be issued by the Auditors certifying the amount of the audited profits after tax of the Target Company for the Guaranteed Period

“Guaranteed Period”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“Guaranteed Profit”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Ma Yiu Ho Peter, Mr. Yip Ki Chi Luke, Mr. Zhou Guangguo and Mr. Clay Huen, to be established to give a recommendation to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Convertible Bonds)
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owners, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules

“Long Stop Date”	31 December 2020, or such later date as the Vendor and the Company may agree
“Maturity Date”	has the meaning ascribed thereto in the section headed “Issue of the Convertible Bonds” in this announcement
“PRC”	the People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Profit Shortfall”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“Put Option”	has the meaning ascribed thereto in the paragraph headed “Put Option” under the section “The Sale and Purchase Agreement” in this announcement
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 11 August 2020 entered into between the Company and the Vendor in relation to the Acquisition
“Sale Share(s)”	300,000 shares of the Target Company, representing 20% of the issued share capital of the Target Company, which is legally and beneficially owned by the Vendor, as at the date of this announcement and on Completion
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be made among the Vendor, the Company (or its nominee) and the Target Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Target Company”	BTB Builders Limited, being a company incorporated in the Hong Kong with limited liability
“Vendor” or “Mr. Yip”	Mr. Yip Chi Keung, the sole shareholder and the sole director of the Target Company as at the date of this announcement
“%”	per cent

* *the English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

By order of the Board
Indigo Star Holdings Limited
Goh Cheng Seng
Chairman and Executive Director

Hong Kong, 11 August 2020

As at the date of this announcement, the chairman and executive director of the Company is Mr. Goh Cheng Seng, the executive directors of the Company are Ms. Tan Soh Kuan, Mr. Ng Sai Cheong and Mr. Wang Jianye; and the independent non-executive directors of the Company are Mr. Ma Yiu Ho Peter, Mr. Yip Ki Chi Luke, Mr. Zhou Guangguo and Mr. Clay Huen.

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

This announcement will remain on the Stock Exchange website at www.hkgem.com, on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at www.indigostar.sg.