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Star Group Company Limited

星星集團有限公司

(Carrying on business in Hong Kong as SGCL)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1560)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF A SUBSIDIARY

INTRODUCTION

The Board is pleased to announce that on 27 July 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Provisional SPA with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share (being the only issue share in Target Company) and the Sale Debt at the total Consideration of HK\$58,000,000 in accordance with the terms and conditions of the Provisional SPA.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements thereunder.

As Completion is conditional upon fulfilment (or if applicable, waiver) of the conditions precedent set out in the Provisional SPA, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 27 July 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Provisional SPA with the Purchaser in relation to the Disposal.

PROVISIONAL SPA

The major terms of the Provisional SPA are set out below:

Date: 27 July 2023

Parties: (i) Great Dawn Holdings Limited, a wholly owned subsidiary of the Company, as Vendor
(ii) the Purchaser, an Independent Third Party, as Purchaser

To the best knowledge, information and belief of the Directors after making reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons.

Subject matters

Pursuant to the Provisional SPA, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to Purchase, the Sale Share (being the only issue share in Target Company) and the Sale Debt, subject to the terms and conditions contained in the Agreement.

Purchase Price

Subject to adjustment of the net current asset value of the Target Company in the Completion Accounts, the aggregate Purchase Price for the Sale Share and the Sale Debt shall be HK\$58,000,000 in accordance with the terms and conditions of the Provisional SPA, which shall be paid by the Purchaser to the Vendor in the manner as follows:

- (i) the Initial Deposit of HK\$3,000,000 upon signing of the Provisional SPA;
- (ii) the Further Deposit of HK\$2,800,000 on or before 31 August 2023;
- (iii) the Part Payment of HK\$2,900,000 on or before 31 August 2023;
- (iv) the Balance of the Purchaser Price of HK\$49,300,000 on Completion of the sale and purchaser of the Sale Share and the assignment of the Sale Debt, which shall take place at the office of the Vendor's Solicitors on or before 3 November 2023 at or before 12:00 noon (or such later date and time as the Vendor and the Purchaser may agree in writing).

The Vendor and the Purchaser agree that the Initial Deposit and Further Deposit shall be paid to the Vendor's solicitor as stakeholders who shall not release the same to the Vendor until the mortgagee bank of the Property has confirmed that the Balance is sufficient to discharge the existing mortgage of the Company.

Conditions precedent

Completion is conditional upon the satisfaction of the following:

- (i) the Purchaser having completed his due diligence review on the business, financial, taxation and all legal aspects of the Company covering the period of eight (8) years immediately prior to the date of the Provisional SPA and satisfied with the results thereof in material aspect; and
- (ii) the Vendor shall at the Vendor's own cost, having procured the Company to prove and give a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong);
- (iii) the Company having, if necessary, having obtained the necessary approval by its shareholders of the Provisional SPA and the transactions contemplated hereunder as required by the Listing Rules on the Stock Exchange on or before 30th September 2023;
- (iv) all the representations, undertakings and warranties given by the Vendor under the Provisional SPA and the Formal Agreement (if any) are and shall remain true, accurate, correct in all material respects up to the Completion.

If any of the foregoing conditions (i), (ii) and (iii) is not fulfilled (or waived by the Purchaser) on or before the Completion Date OR condition (iii) is not fulfilled on or before 30th September 2023, the Purchaser shall be entitled by not less than 5 days' written notice to cancel the transaction under the Provisional SPA whereupon the Deposit and the Part Payment paid by the Purchaser shall be returned by the Vendor or the Vendor's solicitors the Purchaser forthwith and neither party should have any claim against the others for any reliefs under the Provisional SPA.

Completion

Subject to fulfilment (or, where applicable, waived) in full of the conditions precedent set out in the paragraph headed "Conditions precedent" above, Completion shall take place on a date on or before 3 November 2023 (or such later date as may be agreed in writing between Vendor and Purchaser) as designated by the Vendor and the Purchaser.

Upon Completion, The Target Company will cease to be subsidiaries of the Company.

BASIS OF THE PURCHASE PRICE

The Purchase Price was determined after arm's length negotiation between the Vendor and the Purchaser having taking into account: (i) the prevailing market value of the property components of the whole of 17th Floor including Offices 1, 2, 3, 4, 5, 6, 7 and 8, the corridor, the lift lobby and the lavatories thereof of Tesbury Centre, No.28 Queen's Road East, Wanchai, Hong Kong; (ii) the issued

and paid-up share capital of Vendor; and (iii) the reasons for and benefits of the Disposal as described under the paragraph headed “Reasons for the Benefits of the Disposal” in this announcement below. Accordingly, the Directors consider that the Consideration and the terms of the Agreement are fair and reasonable, are on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company, a company incorporated in Hong Kong with limited liability, is principally engaged in property investment holding and the property is for operating of co-working space. Prior to Completion, the Target Company was an indirect wholly-owned subsidiary of the Company.

The Target Company is the registered and beneficial owner of the Property. The Property is situated at the whole of 17th Floor including Offices 1, 2, 3, 4, 5, 6, 7 and 8, the corridor, the lift lobby and the lavatories thereof of Tesbury Centre, No.28 Queen’s Road East, Wanchai, Hong Kong. Prior to Completion, the Property was held by the Target Company for the operating of co-working Space.

The audited financial information of the Target Company for the two years immediately preceding the date of this announcement are as follows:

	For the year	
	ended 31 December	
	2021	2022
	(audited)	(audited)
	HK\$’000	HK\$’000
Revenue	1,479	1,726
Net (loss)/profit before taxation	(1,656)	63
Net (loss)/profit after taxation	(1,409)	63

The audited net assets of the Target Company as at 31 December 2021 and 31 December 2022 was approximately HK\$30,400,000 and HK\$30,500,000 respectively.

INFORMATION ON THE GROUP AND THE VENDOR

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 Vendor is a company incorporated in the BVI and is principally engaged in the business of property development in Hong Kong. It is a wholly-owned subsidiary of the Company. Prior to Completion, the Target Company was a direct wholly-owned subsidiary of the Vendor.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability and its principally engaged in the business of investment holding. To the best of the Directors' knowledge, information the Purchaser and its ultimate beneficial owner and director are a third party independent of the Company and its connected persons.

REASONS FOR THE BENEFITS OF THE DISPOSAL

The Board has been assessing the commercial property market in Hong Kong and reviewing the portfolio of the properties held by the Group. In view of the prospects of the commercial property market and high interest rate trend in Hong Kong and taking into consideration the current financial position of the Group, the Directors consider that the Disposal shall reduce the bank borrowing and interest burden of the Group and strengthen the general working capital of the Group.

Taking into account of the above, the Directors (including the independent non-executive Directors) believe that it is favourable to the Company and Shareholders as a whole amid the uncertain market condition. Furthermore, the terms of the Disposal consider that the terms of the Provisional SPA are fair and reason

FINALCIAL IMPLICATIONS AND USE OF PROCEEDS FROM THE DISPOSAL

Upon Completion, the Company expects to recognise an unaudited estimated loss on disposal of approximately HK\$34,900,000 calculated with reference to (i) the total Consideration of HK\$58,000,000 payable by the Purchaser under the Disposal; (ii) the unaudited net assets of the Target Company approximately HK\$92,700,000 held by the Vendor as at the Completion Date; (iii) the bank borrowing of the Target Company of approximately HK\$28.5 million to be fully repaid on or before the Completion Date; and (iv) estimated related transaction expenses of approximately HK\$480,000 payable by the Group in connection with the Disposal. The final figure of the loss on disposal at the Completion Date is subject to actual balances of relevant items (ii) above held by the Vendor at the Completion Date. The net proceeds from the Disposal (after deducting transaction costs and professional expenses) are approximately HK\$57,520,000. The actual amount of gain or loss as a result of the Disposals will be subject to review and final audit by the auditor of the Company.

The Group intends to use such net proceeds to repay part of the bank borrowings and interests of the Group in order to reduce the financial burden of the Group and strengthen the general working capital of the Group.

Upon the Completion, the Group will no longer have any interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements thereunder.

As Completion is conditional upon fulfilment (or if applicable, waiver) of the conditions precedent set out in the Provisional SPA, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Balance of Purchase Price	has the meaning ascribed to it under the section headed “Purchase Price” of this announcement
“Company”	Star Group Company Limited, a company incorporate in Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code:01560)
“Completion”	Completion of the sale and purchaser of the Sale Share and the Sale Debt
“Completion Accounts”	The management accounts of the Target Company made up to the Completion Date
“Completion Date”	means 3 November 2023
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s), including independent non-executive director(s), of the Company
“Disposal”	The disposal of the Sale Share and the Sale Debt by Vendor to the Purchaser

“Further Deposit”	The same of HK\$2,800,000, being part of the Purchase Price, shall be paid by Purchaser to Vendor on or before 31 August 2023
“Formal Agreement”	the formal agreement will be entered into between the Vendor and the Purchaser in respect of the Sale Share and Sale Debt of the Target Company on or before 31 August 2023
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Deposit”	The same of HK\$3,000,000, being part of the Purchase Price, shall be paid by Purchaser to Vendor upon signing of Provisional SPA
“Listing Rules”	the Rules governing the Listing of Securities on the Stock Exchange
“Part Payment”	The same of HK\$2,900,000, being part of the Purchase Price, shall be paid by Purchaser on or before 31 August 2023
“Property”	The whole of 17 th Floor including Offices 1, 2, 3, 4, 5, 6, 7 and 8, the corridor, the lift lobby and the lavatories thereof of Tesbury Centre, No.28 Queen’s Road East, Wanchai, Hong Kong
“Provisional SPA”	the Preliminary Sale and Purchase Agreement entered into between the Purchaser and the Vendor dated 27 July 2023 in respect of the Sale Share and Sale Debt of the Target Company
“ <i>Purchaser</i> ”	Crown Port Holdings Limited, a company incorporated in British Virgin Islands (BVI Company Number: 616073) or its nominee
“Sale Debt”	All debts owing by the Target Company to the Vendor and/ or directors) of the Target Company and/or its/ his/ their associates (if any) as at Completion Date. As at 31 December 2022, the amount of the Sale Debt is approximately HK\$30,782,000.

“Sale Shares”	2 ordinary shares, representing all the issued shares of the Target Company
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Company”	Advalue Group Limited, a company incorporated in Hong Kong with limited liability and an direct wholly-owned subsidiary of Vendor
“Vendor”	Great Dawn Holdings Limited, a company incorporation in British Virgin Islands (BVI Company Number: 1934466) with limited liability and is an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“%”	per cent

For and on behalf of the Board
Star Group Company Limited
(Carrying on business in Hong Kong as SGCL)
Chan Man Fai Joe
Chairman

Hong Kong, 27 July 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chan Man Fai Joe (Chairman and chief executive officer) and Ms. Cheung Wai Shuen; two non-executive Directors, namely Mr. Tsui Wing Tak and Mr. Yim Kwok Man; and three independent non-executive Directors, namely Dr. Wong Wai Kong, Mr. Lee Chung Ming Eric and Ms. Chan Wah Man Carman.