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Star Properties Group (Cayman Islands) Limited

星星地產集團(開曼群島)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1560)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO LICENSE AGREEMENT

INTRODUCTION

The Board is pleased to announce that on 13 November 2017, Spring Moon Investments Limited (an indirect wholly owned subsidiary of the Company), as the licensee, entered into the Sale Office License Agreement with Metropolitan Workshop Limited, pursuant to which Metropolitan Workshop Limited as the licensor has agreed to lease the Sale Office to Spring Moon Investments Limited as show room and sale office for the project of The Rainbow at 22 Wang Yip Street South, Yuen Long, New Territories.

LISTING RULES IMPLICATIONS

Mr. Joe Chan, the ultimate controlling Shareholder of the Company, currently holds approximately 68.9% of the total number of issued shares of the Company. Mr. Joe Chan is also the ultimate controlling Shareholder of the Metropolitan Workshop Limited and currently indirectly holds 90% of the total number of issued shares of it. Therefore, Metropolitan Workshop Limited is an associate of Mr. Joe Chan and a connected person of the Company under the Listing Rules. The transactions contemplated under the Sale Office License Agreement constitute a connected transaction of the Company under chapter 14A of the Listing Rule.

As at the date of announcement, one or more of the applicable percentage ratios in respect of the aggregated amounts of the largest annual caps under the Director's Quarter Lease Agreement, Star Finance Office License Agreement, Motor Vehicle License Agreement and Sale Office License Agreement exceed 5% but all are less than 25%, and the largest annual caps is less than HK\$10,000,000, the entering into of the Sale Office License Agreement constitutes the continuing connected transactions when aggregated and are subject to the reporting, announcement and annual review requirements but are exempt from circular (including independent financial advice) and Shareholders' approval requirements under chapter 14A of the Listing Rules.

BACKGROUND

On 13 November 2017, Spring Moon Investments Limited, an indirect wholly owned subsidiary of the Company, as the licensee, entered into the Sale Office License Agreement with Metropolitan Workshop Limited, pursuant to which Metropolitan Workshop Limited as the licensor has agreed to lease the Sale Office to Spring Moon Investments Limited as a show room and sale office for the project of The Rainbow at 22 Wang Yip Street South, Yuen Long, New Territories.

SALE OFFICE LICENSE AGREEMENT

Major terms of the License Agreement are set out as below:

Date : 13 November 2017

Parties : (i) Spring Moon Investments Limited as licensee
(ii) Metropolitan Workshop Limited as licensor

License period : 13 November 2017 to 28 February 2018 (both dates inclusive)

Licensed premises : 17/F, Tesbury Centre, No. 28 Queen's Road East, Wanchai, Hong Kong

Rent and payment : HK\$ 298,200 per month

Usage : Temporary show room and sale office for the project of The Rainbow at 22 Wang Yip Street South, Yuen Long, New Territories.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE OFFICE LICENSE AGREEMENT

The Company's subsidiary, namely Spring Moon Investments Limited, has decided to lease the Sale Office temporarily as show room and sale office for the project of The Rainbow. The licensed premise is in a convenient location, within close proximity to the Company's headquarters at Admiralty Centre, Admiralty and is well furnished and well equipped, which can save the cost and time for renovation.

The terms of the Sale Office License Agreement have been determined after arm's length negotiations with reference to the prevailing market rental rate for comparable office in the vicinity.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Sale Office License Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable and in the interests of the Company and Shareholders as a whole.

AGGREGATION OF TRANSACTIONS

Before entering into the Sale Office License Agreement, the Group has previously entered into a number of lease and license agreements as further discussed below with Sunny Generation Limited, Vogue Town Limited, Vogue City Limited, Metropolitan Lifestyle (H.K.) Limited and Metropolitan Workshop Limited that are all ultimately wholly owned or majority owned by Mr. Joe Chan.

Star Finance (H.K.) Limited (an indirect wholly-owned Subsidiary of the Company) entered into license agreements with Sunny Generation Limited and Metropolitan Workshop Limited on 15 August 2016 and 1 September 2017 respectively, pursuant to which the Group agreed to lease certain office space for Star Finance (H.K.) Limited for a term of 1 year with monthly rental rate of HK\$8,800 under the current agreement. The annual caps for the transactions contemplated under the Star Finance Office License Agreements for the years ended 31 December 2017 and 2018 is HK\$160,000 and HK\$105,600 respectively.

Star Properties (H.K.) Limited (an indirect wholly-owned Subsidiary of the Company) entered into a lease agreement with Vogue Town Limited on 1 January 2017, pursuant to which the Group agreed to lease a premise for a Director's quarter for a term of 1 year with monthly rental rate of HK\$150,000. The annual caps of the transaction contemplated under the Director's Quarter Lease Agreement for the years ended 31 December 2017 and 2018 is HK\$1.8 million and HK\$1.8 million respectively.

Star Properties (H.K.) Limited (an indirect wholly-owned Subsidiary of the Company) also entered into an agreement with Metropolitan Lifestyle (H.K.) Limited and Vogue City Limited on 1 January 2017 and 1 October 2017 respectively, pursuant to which the Group agreed to rent a motor vehicle for a term of 2 years with monthly rental rate of HK\$5,000. The annual caps of the transaction contemplated under Motor Vehicle License Agreement for the years ended 31 December 2017 and 2018 is HK\$60,000 and HK\$60,000 respectively.

The historical amounts of the above transactions for the years ended 31 December 2015 and 2016 are disclosed in the annual report of the Company for the year ended 31 December 2016 published on 22 March 2017.

ANNUAL CAPS

The following table sets out the annual caps of the continuing connected transactions under the Sale Office License Agreement and Previous Lease and License Agreements for the years ending 31 December 2017 and 2018, respectively:

	<u>For the year ended</u> <u>31 December 2017</u>	<u>For the year ended</u> <u>31 December 2018</u>
Sale Office License Agreement	HK\$477,120.0	HK\$596,400.0
Director's Quarter Lease Agreement	HK\$1,800,000.0	HK\$1,800,000.0
Star Finance Office License Agreement	HK\$160,000.0	HK\$105,600.0
Motor Vehicle License Agreement	HK\$60,000.0	HK\$60,000.0
Total	HK\$2,497,120.0	HK\$2,562,000.0

The above annual caps are determined in accordance with the monthly rental rates and terms under the Sales Office License Agreement and the Previous Lease and License Agreements which were arrived at after arm's length negotiation between the parties and determined with reference to the prevailing market rental rate of similar premises and the recent rental transactions in the nearby areas.

INFORMATION OF THE GROUP

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.

All the relevant members of the Group which entered into the Sale Office License Agreement and Previous Lease and License Agreements, are indirect wholly-owned subsidiaries of the Company and are principally engaged in property management and provision of financial services.

INFORMATION OF THE COUNTER PARTIES

Metropolitan Workshop Limited is a company incorporated in Hong Kong and 90% of the total number of issued shares is ultimately held by Mr. Joe Chan. The principal activity of Metropolitan Workshop Limited is provision of workshops for rental. Metropolitan Lifestyle (H.K.) Limited is a company incorporated in Hong Kong and wholly owned by Mr. Joe Chan. The principal activity of Metropolitan Lifestyle (H.K.) Limited is investment holding. Sunny Generation Limited is a company incorporated in Hong Kong and wholly owned by Mr. Joe Chan. The principal activity is property holding. Vogue City Limited is a company incorporated in Hong Kong and wholly owned by Mr. Joe Chan. The principal activity of Vogue City Limited is property holding. Vogue Town Limited is a company incorporated in Hong Kong and wholly owned by Mr. Joe Chan. The principal activity of Vogue Town Limited is property holding.

LISTING RULES IMPLICATIONS

Mr. Joe Chan, the ultimate controlling Shareholder of the Company, currently holds approximately 68.9% of the total number of issued shares of the Company. Mr. Joe Chan is also the ultimate controlling Shareholder of the Metropolitan Workshop Limited and currently indirectly holds 90% of the total number of issued shares of it. Therefore, Metropolitan Workshop Limited is an associate of Mr. Joe Chan and a connected person of the Company under the Listing Rules. The transactions contemplated under the Sale Office License Agreement constitute a continuing connected transaction of the Company under chapter 14A of the Listing Rule.

Given Metropolitan Workshop Limited, Metropolitan Lifestyle (H.K.) Limited, Sunny Generation Limited, Vogue City Limited and Vogue Town Limited, are all ultimately wholly owned or majority owned by Mr. and are connected persons of the Company, the transactions contemplated under the Sale Office License Agreement is required to be aggregated with the transactions contemplated under the Director's Quarter Lease Agreement, Start Finance Office License agreement and Motor Vehicle License Agreement pursuant to Rule 14A.81 of the Listing Rules.

As at the date of this announcement, one or more of the applicable percentage ratios in respect of the aggregated amounts of the largest annual caps under the Director's Quarter Lease Agreement, Star Finance Office License Agreement, Motor Vehicle License Agreement and Sale Office License Agreement exceed 5% but all are less than 25% and the largest annual caps is less than HK\$10,000,000, the continuing connected transactions contemplated thereunder when aggregated are subject to the reporting, announcement and annual review requirements but are exempt from circular (including independent financial advice) and Shareholders' approval requirements under chapter 14A of the Listing Rules.

In view of his interest in Metropolitan Workshop Limited, Mr. Joe Chan, an Executive Director, is considered as having a material interest in the Sale Office License Agreement and has abstained from voting on the board resolutions passed in connection with the Sale Office License Agreement and the transactions contemplated thereunder.

Saved as disclosed above, none of the Directors has any material interest in the Sale Office License Agreement and no Director (other than Mr. Joe Chan) was required to abstain from voting on the board resolutions passed in connection with the Sale Office License Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Star Properties Group (Cayman Islands) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1560)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Director's Quarter Lease Agreement”	the tenancy agreement dated 1 January 2017 entered into between Star Properties (H.K.) Limited (as tenant) and Vogue Town Limited (as landlord) in respect of a Director's quarter.
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Metropolitan Lifestyle (H.K.) Limited”	Metropolitan Lifestyle (H.K.) Limited, a company incorporate in Hong Kong and ultimately wholly owned by Mr. Joe Chan
“Metropolitan Workshop Limited”	Metropolitan Workshop Limited, a company incorporate in Hong Kong, 90% of the total number of issued shares is ultimately held by Mr. Joe Chan
“Mr. Joe Chan”	Mr. Chan Man Fai Joe, the controlling Shareholder and executive Director of the Company
“Motor Vehicle License Agreements”	the license agreement dated 1 January 2017 and 1 October 2017 entered into between Star Properties (H.K.) Limited (as licensee) and Metropolitan Lifestyle (H.K.) Limited (as licensor) and Vogue City Limited (as licensor) respectively in respect of the rental of a motor vehicle.
“percentage ratio(s)”	has the same meaning ascribed to it under the Listing Rules
“Previous Lease and License Agreements”	the lease and license agreements entered into between the Group and Sunny Generation Limited, Vogue Town Limited, Vogue City Limited, Metropolitan Lifestyle (H.K.) Limited and Metropolitan Workshop Limited before entering into the Sale Office License Agreement
“Sale Office”	office located at 17/F, Tesbury Centre, No. 28 Queen’s Road East, Wanchai, Hong Kong
“Sale Office License Agreement”	the license agreement dated 13 November 2017 entered into between Spring Moon Investments Limited (as licensee) and Metropolitan Workshop Limited (as licensor) in respect of the Sale Office for the project of The Rainbow
“Shareholder(s)”	the holder(s) of share(s) of the Company
“Spring Moon Investments Limited”	Spring Moon Investments Limited, a company incorporated in Hong Kong, an indirect wholly owned subsidiary of the Company
“Star Finance (H.K.) Limited”	Star Finance (H.K.) Limited, a company incorporated in Hong Kong, an indirect wholly owned subsidiary of the Company

“Star Finance Office License Agreement”	the license agreement dated 15 August 2016 and 1 September 2017 entered into between Star Finance (H.K.) Limited (as licensee) and Sunny Generation (as licensor) and Metropolitan Workshop Limited (as licensor) respectively in respect of the office of Star Finance (H.K.) Limited
“Star Properties (H.K.) Limited”	Star Properties (H.K.) Limited, a company incorporated in Hong Kong, an indirect wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunny Generation Limited”	Sunny Generation Limited, a company incorporate in Hong Kong and ultimately wholly owned by Mr. Joe Chan
“Vogue City Limited”	Vogue City Limited, a company incorporated in Hong Kong and ultimately wholly owned by Mr. Joe Chan
“Vogue Town Limited”	Vogue Town Limited, a company incorporated in Hong Kong and ultimately wholly owned by Mr. Joe Chan
“The Rainbow”	the property development project of the Group located at 22 Wang Yip Street South, Yuen Long, New Territories
“%”	per cent.

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

Hong Kong, 13 November 2017

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. Chan Man Fai Joe (Chairman), Ms. Cheung Wai Shuen and Mr. Liu Hon Wai; three non-executive Directors, namely Mr. Pong Kam Keung, Mr. Yim Kwok Man and Mr. Lam Kin Kok, and three independent non-executive Directors, namely Mr. Shiu Siu Tao, Mr. Lee Chung Ming Eric and Ms. Chan Wah Man Carman.