



STAR PROPERTIES GROUP
(CAYMAN ISLANDS) LIMITED

星星地產集團(開曼群島)有限公司

STOCK CODE: 1560

INTERIM REPORT
2017



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CORPORATE INFORMATION

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1203A, 12/F
Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.starproperties.com.hk

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

Mr. Chan Man Fai Joe (陳文輝)
Mr. Lam Kin Kok (林建國)
Ms. Cheung Wai Shuen (張慧璇)
Mr. Liu Hon Wai (廖漢威)

NON-EXECUTIVE DIRECTOR

Mr. Pong Kam Keung (龐錦強)
Mr. Yim Kwok Man (嚴國文)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Shiu Siu Tao (蕭少滔)
Mr. Lee Chung Ming Eric (李仲明)
Ms. Chan Wah Man Carman (陳華敏)

COMPANY SECRETARY

Ms. Cheung Wai Shuen (HKICS)

AUDIT COMMITTEE

Ms. Chan Wah Man Carman (*Chairman*)
Mr. Lee Chung Ming Eric
Mr. Shiu Siu Tao

NOMINATION COMMITTEE

Mr. Yim Kwok Man (*Chairman*)
Mr. Chan Man Fai Joe
Mr. Shiu Siu Tao
Mr. Lee Chung Ming Eric

REMUNERATION COMMITTEE

Mr. Shiu Siu Tao (*Chairman*)
Ms. Chan Wah Man Carman
Mr. Chan Man Fai Joe

RISK CONTROL COMMITTEE

Mr. Yim Kwok Man (*Chairman*)
Mr. Chan Man Fai Joe
Mr. Lam Kin Kok
Ms. Cheung Wai Shuen
Mr. Pong Kam Keung
Mr. Lee Chung Ming Eric

AUTHORISED REPRESENTATIVES

Mr. Lam Kin Kok
Ms. Cheung Wai Shuen

COMPLIANCE ADVISER

Lego Corporate Finance Limited
Room 1601, 16/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
North Point Branch
G/F, 486 King's Road, North Point
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road, Hong Kong

Hang Seng Bank
83 Des Voeux Road, Central
Hong Kong

Cathy United Bank
20/F, LHT Tower
31 Queen's Road Central
Central, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street, PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company 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 revenue of the Group for the six months ended 30 June 2017 was approximately HK\$596.4 million, including revenue mainly from property development and property investment of approximately HK\$594.0 million and HK\$1.7 million, respectively, (for the six months ended 30 June 2016: approximately HK\$17.4 million, including revenue mainly from property development and property investment of approximately HK\$12.4 million and HK\$5.0 million, respectively), which represented an increase of approximately HK\$579.0 million as compared with the last period. The profit attributable to owners of the Group for the six months ended 30 June 2017 was approximately HK\$92.2 million (for the six months ended 30 June 2016: loss of approximately HK\$18.5 million).

The increase in revenue and the profit for the six months ended 30 June 2017 was mainly due to (i) the completion and delivery of sold units from property development project during the reporting period; and (ii) the result of non-recurring listing expenses of approximately HK\$16.4 million incurred by the Group in relation to the listing of the Company's shares on the Main Board of the Stock Exchange on 13 July 2016 in the year of 2016. The earnings per share for the period was approximately HK20.59 cents as compared to loss per share of approximately HK5.52 cents for the corresponding period last year.

The review of the individual business segments of the Group is set out below.

PROPERTY DEVELOPMENT

Development of development sites, redevelopment or enhancement of existing buildings for the purposes of increasing their capital value and realising such increased capital value from sale of properties. Revenue recognised in this business segment for the six months ended 30 June 2017 amounted to approximately HK\$594.0 million (for the six months ended 30 June 2016: approximately HK\$12.4 million). As at 30 June 2017, the Group has two completed projects, namely, (a) The Galaxy; and (b) The Star; as well as three projects under development, namely, (c) the Yue Fung Project; (d) the CWK Project; and (e) the Yuen Long Site Project; and (f) new development project – Kwun Tong Site Project.

(A) THE GALAXY:

Completion of the sale and purchase agreements in respect of six car parking spaces amounted to approximately HK\$10.6 million for the six months ended 30 June 2017 and was recognised as reported in segment information (for the six months ended 30 June 2016: approximately HK\$12.4 million, representing approximately 1.8% of the sold units from the first sale year in 2014 to the end of 30 June 2016).

(B) THE STAR:

The Group received the occupation permit from the buildings department of the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "**Hong Kong Government**") on 16 May 2017. Revenue recognised for the completion and delivery of the sold units was approximately HK\$594.0 million for the six months ended 30 June 2017.

(C) THE YUE FUNG PROJECT:

The Group has been granted approval from the Hong Kong Government on general building plans submission and a special waiver allowing the existing industrial building to be converted into commercial uses. The Board has passed a resolution to change the investment intention of the project from investment property to inventories and classified it as property held for sale as well as a new development plan with a view to sale on 27 April 2017. The alternations and additions works are in progress and expected to be completed within 2018.

(D) THE CWK PROJECT:

The Group has sought approval from the Hong Kong Government to modify the existing government lease to allow commercial uses. The Hong Kong Government has given the Group the land premium offer on 19 June 2017 for this lease modification which has been accepted by the Group. The land premium is HK\$280.00 million, which will be partly financed by bank loan obtained by us and the remaining portion is expected to be financed by the net proceeds from the Open Offer (as defined hereafter). The demolition of the existing building is completed in April 2017. The Group expects to commence foundation works in the third/fourth quarters of 2017.

(E) THE YUEN LONG SITE PROJECT:

On 24 February 2017, the Group has successfully acquired a site located at Wang Yip Street West, Yuen Long, New Territories, through acquisition of subsidiaries. The Group intends to redevelop it into a residential complex with some shops.

(F) NEW DEVELOPMENT PROJECT – KWUN TONG SITE PROJECT:

The Group has entered into a sale and purchase agreement in April 2017 to acquire an industrial building located in Kwun Tong. The Group intends to redevelop it into a high grade commercial building. The acquisition of the industrial building in Kwun Tong was completed on 14 August 2017.

The Group will continue its proactive participation in the search for land reserve for commercial, industrial and residential use to sustain its operation in the long run. The Group has also explored other ways of collaboration with external parties for development opportunities to expand market reach as well as strengthen brand awareness with the portfolio of quality properties.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY INVESTMENT

As at 30 June 2017, the Group's portfolio of investment properties comprised of commercial units and car parking spaces located in Hong Kong with a total carrying value of approximately HK\$41.1 million (31 December 2016: approximately HK\$574.0 million). The decrease in total carrying value of HK\$532.9 million was mainly due to change the investment intention of the Yue Fung Project, with carrying value of HK\$536.0 million as at 30 April 2017, from investment property to inventories and classified it as property held for sale.

Revenue recognised in this business segment for the six months ended 30 June 2017 amounted to approximately HK\$1.7 million (for the six months ended 30 June 2016: approximately HK\$5.0 million), representing a decrease of approximately HK\$3.3 million over the corresponding period last year.

PROVISION OF PROPERTY MANAGEMENT SERVICE

The Group is operating in the business segment of property management for small sized buildings. Currently, the Group to provide the management services for our completed project, The Galaxy and The Star.

Revenue recognised in this business segment for the six months ended 30 June 2017 amounted to approximately HK\$0.4 million (for the six months ended 30 June 2016: approximately HK\$0.6 million), the Group expects this segment of business to be expanded by increasing our completed projects.

PROVISION OF FINANCE

The Group had designated provision of finance as an additional business line of the Group from 2017. This new line of business had provided the Group the opportunities to earn a relatively higher and stable return compared with deposits and securities investments. It also reflects the Group's strategy for business diversification and creating synergy with the Group's existing segments of property related businesses as well as provides a new source of income in long run.

Revenue generated from this segment of business for the six months ended 30 June 2017 amounted to approximately HK\$0.2 million (for the six months ended 30 June 2016: nil). Given the expected and continuous tightening of mortgage lending policy in Hong Kong, the Group expects this segment of business will have further room for expansion.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2017 was approximately HK\$498.9 million (31 December 2016: approximately HK\$450.1 million). As at 30 June 2017, the Group maintained bank balances and cash of approximately HK\$74.6 million (31 December 2016: approximately HK\$31.8 million). The Group's net current assets was approximately HK\$414.4 million (31 December 2016: net current liabilities of approximately HK\$136.0 million). The Group had current assets of approximately HK\$1,576.2 million (31 December 2016: approximately HK\$779.3 million). The increase of current assets was mainly due to increase in property under development and the deposit paid for purchase of Kwun Tong Site.

The Group had current liabilities of approximately HK\$1,161.8 million (31 December 2016: approximately HK\$915.3 million). The increase of current liabilities was mainly due to net of (i) increase in bank loan; and (ii) the recognition of receipts in advance from the units pre-sold of The Star as revenue during the reporting period. The Group generally finances its operations with internally generated cashflow and bank borrowings in Hong Kong. As at 30 June 2017, the Group had outstanding bank borrowings of approximately HK\$996.5 million (31 December 2016: approximately HK\$741.7 million). The bank borrowings as at 30 June 2017 were secured by the Group's investment properties, properties held for sale and pledged bank deposits.

The Group's gearing ratio (the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (total borrowings net of cash and cash equivalents and pledged bank deposit divided by total equity) increased from approximately 164.8% as at 31 December 2016 to approximately 199.8% as at 30 June 2017 and increased from approximately 157.7% as at 31 December 2016 to approximately 182.8% as at 30 June 2017 respectively due to the increase in bank borrowings.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents and pledged bank deposit divided by total assets) increased from approximately 52.0% as at 31 December 2016 to approximately 54.8% as at 30 June 2017 due to the increase in bank borrowings.

The Group's capital commitment as at 30 June 2017 amounted to approximately HK\$478.2 million (31 December 2016: approximately HK\$320.0 million). The increase of capital commitment was mainly due to our existing and new development projects.

The Group has no significant contingent liabilities as at the end of the reporting period. The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

On 19 May 2017, the Company had completed bonus issue. As disclosed in the announcement of the Company dated 28 February 2017 and the circular of the Company dated 23 March 2017, the bonus issue on the basis of one (1) bonus share for every one (1) existing share held on 9 May 2017. As at 9 May 2017, the Company had a total of 224,000,000 shares in issue, the number of bonus shares issued under the bonus issue was 224,000,000.

In order to meet the interest-bearing debts, business capital expenditure and funding needs for, replenish of land bank, payment of construction costs for the development of property development projects and/or enhance portfolio of investment properties, the Group had been from time to time considering various financing alternatives including but not limited to equity fund raising, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes issuance, other debt financial instruments, and disposal of properties.

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in the announcement of the Company on 26 July 2017, the Company proposes to raise approximately HK\$134.4 million before expenses by way of the open offer, pursuant to which 179,200,000 offer shares will be issued at the subscription price of HK\$0.75 per offer share (the “**Subscription Price**”) (the “**Open Offer**”). The Company will allot two (2) offer shares (the “**Offer Share(s)**”) for every five (5) existing shares held by the qualifying shareholders whose names appear on the register of members of the Company on 18 August 2017 (the “**Qualifying Shareholders**”). The Open Offer will only be available to the Qualifying Shareholders.

The Board consider that the Open Offer, which is on a fully underwritten basis, will not only allow the Group to strengthen its financial position without having to incur interest expenses as compared to debt financing, but will also provide an opportunity to all Qualifying Shareholders to subscribe for the Offer Shares at the same Subscription Price in proportion to their shareholdings held on 18 August 2017. In addition, the Subscription Price has been set as a discount to the recent closing prices of the shares and excess applications will be available to encourage existing shareholders of the Company to take up their entitlements and to participate in the future development of the Company. Therefore, taking into accounts of (i) development projects of the Group; (ii) financial position of the Group; and (iii) prevailing market conditions, the Directors consider that fund raising through the Open Offer is in the interests of the Company and the Shareholders as a whole.

The net proceeds of the Open Offer after the deduction of all relevant expenses are estimated to be approximately HK\$133.0 million. The Company intends to apply the net proceeds from the Open Offer as to:

- (i) approximately HK\$56.0 million for land premium of CWK Project;
- (ii) approximately HK\$62.0 million is expected to be used in the second half of year 2017 and the year of 2018 for repayment of interest expenses; and
- (iii) approximately HK\$15.0 million for general working capital of the Group.

FOREIGN EXCHANGE

The Group’s transactions and the monetary assets as well as monetary liabilities are principally denominated in Hong Kong dollars. The management of the Group is of the opinion that the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the reporting period. Therefore, the Group does not engage in any hedging activities.

PLEDGE OF ASSETS

As at 30 June 2017, the Group’s investment properties and properties held for sale, with carrying value of approximately HK\$25.4 million and HK\$1,187.0 million, respectively (31 December 2016: approximately HK\$539.4 million and HK\$682.4 million, respectively) and the bank deposit of approximately HK\$10.0 million (31 December 2016: nil) were pledged to secure the Group’s banking facilities.

EMPLOYEES AND REMUNERATION POLICY

For the six months ended 30 June 2017, the Group employed 7 employees (six months ended 30 June 2016: 7) and appointed 9 Directors (six months ended 30 June 2016: 9). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to individual performance, working experience, qualification and the current relevant industry practices. Apart from base salary and statutory provident fund scheme, discretionary bonus and share options may be granted to selected staff by reference to the Group's as well as the individual's performances. Other forms of benefits such as medical, on-the-job and external training to staff are also provided. The Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Group maintains a good relationship with its employees.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the acquisition of property as mentioned above, there was no significant investments held, nor was there any material acquisitions or disposals of subsidiaries during the reporting period.

EVENTS AFTER REPORTING PERIOD

As disclosed in the 2016 Annual Report of the Company, the Group has entered into a provisional sale and purchase agreement to acquire an industrial building located in Ngau Tau Kok in January 2017. Pursuant to a provisional sale and purchase agreement entered into in August 2017 between Star Properties Group (BVI) Limited, a wholly owned subsidiary of the Company and an independent third party (the "Purchaser"), the Group agreed to sell its entire equity interest in Moon Colour Holdings Limited, which was a wholly owned subsidiary of the Group, as at completion to the Purchaser at an aggregate cash consideration of HK\$360,000,000 (the "Disposal"). The Disposal is expected to be completed in August 2017 and the resulting gain on Disposal will be recognized in the profit and loss. Moon Colour Holdings Limited held a property located in Ngau Tau Kok. In view of the capital gain which was expected to be derived from the Disposal, the Board considered that it was in the interest of the Company and its shareholders as a whole.

On 26 July 2017, the Company proposed open offer to raise approximately HK\$134 million before expenses, pursuant to which 179,200,000 offer shares will be issued at the subscription price of HK\$0.75 per offer share. The Company will allot two offer shares for every five existing shares held by the Qualifying Shareholders. Details of the Open offer were set out in the announcement of the Company dated 26 July 2017 and the prospectus of Open Offer dated 21 August 2017.

POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its businesses, financial condition, operations and prospects based on its risk management system; and actively propose solutions to lower the impact of the possible risks on the businesses of the Group. The Group has a series of internal control and risk management policies to cope with the possible risks and has serious scrutiny over the selection of quality customers and suppliers. The Group has formed various committees to develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company listed its shares on the main board of the Stock Exchange on 13 July 2016. Net proceeds from the Listing were approximately HK\$75.0 million (after deduction of the underwriting commission and relevant expenses), which are intended to be applied in the manner as disclosed in the Prospectus. As at 30 June 2017, the net proceeds from the Listing were fully utilized as follows:

	Actual net proceeds HK\$ million	Amount utilised as at 30 June 2017 HK\$ million	Amount unutilised as at 30 June 2017 HK\$ million
Acquisition of suitable development site(s) in Hong Kong to replenish of land bank for property development business	52.5	52.5	–
Repayment of debts	15.0	15.0	–
General working capital of the Group	7.5	7.5	–
TOTAL	75.0	75.0	–

PROSPECT

The global economies are expected to remain challenging in 2017 and 2018. The depreciation of Renminbi, fluctuation in stock market and government measures on property market are expected to be the key factors affect Hong Kong's economic growth. The Group expects the rising demand and yet the shortage in the supply of newly built industrial buildings and commercial buildings in Hong Kong will continue provide opportunities to the Group.

Through the Listing, the Group raised funds for acquiring suitable development sites to replenish of land bank for property development. In order to meet the interest-bearing debts, business capital expenditure and funding needs for, replenish of land bank, payment of construction costs for the development of property development projects and/or enhance portfolio of investment properties, the Group proposes to raise equity fund by way of the Open Offer for further expansion plans with relatively lower financing cost as compared with bank borrowings in the interests of the Company and the Shareholders as a whole.

The Group will proactively looking for feasible development projects to replenish of land bank for its healthy development. The Group will also take advantage of the market opportunities to acquire yield-enhancing investment properties to generate a recurring and stable rental income as well as for capital appreciation to the Group.

Save as disclosed, there is no any material events affecting the Group which have occurred since the end of the financial period as at 31 December 2016 and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil). A final dividend of HK22 cents per share was paid on 19 May 2017 in respect of the year ended 31 December 2016 (2015: Nil) to shareholders during the reporting period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Model Code"), are set out below:

INTERESTS OF OUR DIRECTORS AND CHIEF EXECUTIVE IN OUR SHARES

Name of our Director/chief executive	Capacity/nature of interest	Number of Shares	Approximate percentage of total number of issued Shares (%)
Chan Man Fai Joe	Interest of a controlled corporation	154,336,000	68.9 (Note 1)
Lam Kin Kok	Interest of a controlled corporation	13,664,000	6.1 (Note 2)

Notes:

1. *Star Properties Holdings (BVI) Limited is the registered and beneficial owner of these Shares. Star Properties Holdings (BVI) Limited is wholly-owned by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the same parcel of Shares in which Star Properties Holdings (BVI) Limited is interested.*
2. *Eagle Trend (BVI) Limited is the registered and beneficial owner of these Shares. Eagle Trend (BVI) Limited is wholly-owned by Mr. Lam Kin Kok. By virtue of the SFO, Mr. Lam Kin Kok is deemed to be interested in the same parcel of Shares in which Eagle Trend (BVI) Limited is interested.*

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at 30 June 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders, other than those disclosed in the section headed "Directors' Interests in Securities", had notified the Company and the Stock Exchange of relevant interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interests in our Company (%)
Star Properties Holdings (BVI) Limited	Beneficial owner	154,336,000 (L)	68.9
Eagle Trend (BVI) Limited	Beneficial owner	13,664,000 (L)	6.1

Notes:

1. The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.
2. Star Properties Holdings (BVI) Limited is an investment holding company incorporated on 3 March 2016 in the BVI with limited liability and is wholly-owned by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in all Shares in which Star Properties Holdings (BVI) Limited is interested.
3. Eagle Trend (BVI) Limited is an investment holding company incorporated on 29 February 2016 in the BVI with limited liability and is wholly-owned by Mr. Lam Kin Kok. By virtue of the SFO, Mr. Lam Kin Kok is deemed to be interested in all Shares in which Eagle Trend (BVI) Limited is interested.

SHARE OPTION SCHEME

The Company's share option scheme was conditionally adopted on 27 June 2016 (the "Share Option Scheme").

The purposes of the share option scheme are to (1) recognise and acknowledge the contributions that Eligible Participants had made or may make to our Group; (2) provide the Eligible Participants (as defined in the Prospectus dated 30 June 2016) with an opportunity to acquire proprietary interests in our Company with the view to motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group and attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group. Details of the share option scheme are set out in section headed Share Option Scheme in the Prospectus dated 30 June 2016.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company has subsequently granted to certain Directors of the Company options to subscribe for the shares of the Company under the Share Option Scheme on 25 January 2017, details of the outstanding options as at the Latest Practicable Date held by each Director were as follows:

Name of Directors	Date of Grant	Exercise Period	Exercise Price	Number of shares subject to outstanding options	Approximate percentage of the issued shares of the Company
Chan Man Fai Joe	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$1.03 per Share	4,480,000	1
Lam Kin Kok	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$1.03 per Share	4,480,000	1
Cheung Wai Shuen	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$1.03 per Share	4,480,000	1
Liu Hon Wai	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$1.03 per Share	4,480,000	1
Yim Kwok Man	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$1.03 per Share	448,000	0.1
Pong Kam Keung	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$1.03 per Share	448,000	0.1
Shiu Siu Tao	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$1.03 per Share	448,000	0.1
Lee Chung Ming Eric	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$1.03 per Share	448,000	0.1
Chan Wah Man Carman	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$1.03 per Share	448,000	0.1

Notes:

These options represent personal interest held by the Directors as beneficial owners.

Save as disclosed, as at 30 June 2017, none of the Directors and chief executives of the Company had registered an interest or short positions in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at 30 June 2017, none of the Directors and their respective close associates have any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses to which the Directors and their close associates were appointed to represent the interests of the Company and/or the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. All the directors have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the period from 1 January 2017 to the date of the interim report. The Model code also applies to other specified senior management of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

Under code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Man Fai Joe currently holds both positions. Throughout our business history, Mr. Chan Man Fai Joe has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our senior management. Taking into account the continuation of the implementation of our business plans, our Directors (including our independent non-executive Directors) consider Mr. Chan Man Fai Joe is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

To the best knowledge of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules with the exception for code provision A.2.1 as disclosed above throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Chan Wah Man Carman, Mr. Lee Chung Ming Eric and Mr. Shiu Siu Tao with Ms. Chan Wah Man Carman being the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Company for the six months end 30 June 2017 and agreed to the accounting principles and practices adopted by the Company.

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

Hong Kong, 18 August 2017

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF 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)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Star Properties Group (Cayman Islands) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 17 to 40, which comprises the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended	
		30.6.2017 HK\$'000 (Unaudited)	30.6.2016 HK\$'000 (Unaudited)
Revenue	3	596,408	17,414
Cost of sales and services		(422,922)	(6,684)
Gross profit		173,486	10,730
Other income	4	1,850	2,171
Gain on change in fair value of investment properties	11	9,348	911
Selling expenses		(29,102)	(960)
Administrative expenses		(38,699)	(10,274)
Listing expenses		–	(16,438)
Finance costs	5	(1,861)	(3,473)
Profit (loss) before tax	6	115,022	(17,333)
Income tax expense	7	(22,797)	(1,215)
Profit (loss) and total comprehensive income (expense) for the period		92,225	(18,548)
Earnings (loss) per share			(Restated)
– Basic (HK cents)	9	20.59	(5.52)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment	10	1,004	159
Investment properties	11	41,140	573,990
Deferred tax asset		–	1,051
Loan receivables	12	44,336	11,449
		86,480	586,649
CURRENT ASSETS			
Properties held for sale	13	1,195,924	691,529
Trade and other receivables	14	8,375	20,993
Deposits paid	15	249,600	33,998
Stakeholder's accounts	16	37,701	925
Pledged bank deposit	16	10,013	–
Bank balances and cash	16	74,588	31,809
		1,576,201	779,254
CURRENT LIABILITIES			
Trade and other payables	17	143,265	171,259
Tax liabilities		22,033	2,324
Borrowings	18	996,513	741,663
		1,161,811	915,246
NET CURRENT ASSETS (LIABILITIES)		414,390	(135,992)
TOTAL ASSETS LESS CURRENT LIABILITIES		500,870	450,657
NON-CURRENT LIABILITY			
Deferred tax liabilities		2,022	529
NET ASSETS		498,848	450,128
CAPITAL AND RESERVES			
Share capital	19	4,480	2,240
Reserves		494,368	447,888
TOTAL EQUITY		498,848	450,128

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	Six months ended	
		30.6.2017 HK\$'000 (Unaudited)	30.6.2016 HK\$'000 (Unaudited)
OPERATING ACTIVITIES			
Profit (loss) before tax		115,022	(17,333)
Adjustments for:			
Depreciation of plant and equipment		103	77
Finance costs		1,861	3,473
Interest income		(113)	(30)
Gain arising on change in fair value of investment properties		(9,348)	(911)
Loss on write-off of plant and equipment		94	212
Share-based payment expense		5,775	–
Operating cash flows before movements in working capital		113,394	(14,512)
Decrease in trade and other receivables		15,646	3,098
Decrease (increase) in properties held for sale		396,798	(97,464)
Increase in deposits paid for properties held for sale		(214,600)	–
(Increase) decrease in stakeholder's account		(36,776)	4,396
(Decrease) increase in accruals and other payables		(39,480)	103,764
Cash generated from (used in) operations		234,982	(718)
Income tax paid		(544)	(1,478)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		234,438	(2,196)
INVESTING ACTIVITIES			
Interest income received		113	30
Additions to investment properties		(10,402)	(1,959)
Proceeds from disposal of investment properties		16,600	–
Purchase of plant and equipment		(1,042)	(28)
Proceeds from disposal of plant and equipment		–	230
Advances of loan receivables		(36,301)	–
Repayments from loan receivables		386	–
Advances to related companies		–	(120)
Repayments from related companies		–	120
Placement of pledged bank deposit		(10,013)	–
Deposits paid for acquisition of subsidiaries		(35,000)	–
Payment for acquisition of property companies	23	(305,982)	–
NET CASH USED IN INVESTING ACTIVITIES		(381,641)	(1,727)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30.6.2017 HK\$'000 (Unaudited)	30.6.2016 HK\$'000 (Unaudited)
FINANCING ACTIVITIES		
Interest paid	(15,588)	(7,383)
Advances from directors	105,000	18,437
Repayment to a director	(105,000)	–
Dividend paid	(49,280)	–
Bank borrowings raised	563,818	71,020
Repayment of bank borrowings	(308,968)	(69,200)
Repayments to related companies	–	(7,414)
NET CASH FROM FINANCING ACTIVITIES	189,982	5,460
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,779	1,537
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	31,809	5,718
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	74,588	7,255

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Shareholders' contribution HK\$'000 (Note ii)	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	2	–	–	–	146,453	146,455
Loss and total comprehensive expense for the period	–	–	–	–	(18,548)	(18,548)
Effect from group restructuring (Note i)	(2)	–	–	–	–	(2)
At 30 June 2016 (unaudited)	–	–	–	–	127,905	127,905
At 1 January 2017 (audited)	2,240	89,696	–	190,000	168,192	450,128
Profit and total comprehensive income for the period	–	–	–	–	92,225	92,225
Issue of bonus shares (note 19)	2,240	(2,240)	–	–	–	–
Recognition of equity-settled share-based payments (note 20)	–	–	5,775	–	–	5,775
Dividends paid (note 8)	–	–	–	–	(49,280)	(49,280)
At 30 June 2017 (unaudited)	4,480	87,456	5,775	190,000	211,137	498,848

Notes:

- (i) The effect from group restructuring represents the net result of crediting the Company's HK\$10 share capital as fully paid upon group reorganisation and the elimination of HK\$1,572 share capital of the companies comprising the Group which were under common control of Mr. Chan Man Fai Joe and Mr. Lam Kin Kok before 22 March 2016.
- (ii) On 13 July 2016, Mr. Chan Man Fai Joe and Mr. Lam Kin Kok, being the directors and controlling shareholders of the Company, waived the balances due to them of HK\$174,420,000 and HK\$15,580,000, respectively. The aggregate amount of HK\$190,000,000 has been capitalised as shareholders' contribution.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values.

Except as described below, the accounting policies methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2016.

APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant to the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. REVENUE AND SEGMENT INFORMATION

The Group’s revenue represents the amount received and receivable for revenue arising on property development, property investment, provision of property management services and provision of finance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (Continued)

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Property development – sales of properties	593,983	12,444
Property investment – rental income from leasing of investment properties	1,749	4,970
Provision of property management services	438	–
Provision of finance	238	–
	596,408	17,414

Information reported to the Group's chief operating decision makers, who are the executive directors of the Company, for the purposes of resource allocation and assessment of performance is mainly focused on the property development, property investment, provision of property management services and provision of finance.

Information relating to assets and liabilities in each segment is not included as there has been no material change from the amounts disclosed in the last annual financial statements for each segment.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating Segments are as follows:

1. Property development – sales of properties
2. Property investment – rental income from leasing of investment properties
3. Provision of property management services – provision of property management services for the completed properties
4. Provision of finance – provision of financing services to the property buyers

During the year ended 31 December 2016, the Group had commenced its provision of property management services and finance business and operating segments regarding these businesses were reported starting from the six months ended 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property development	593,983	12,444	121,199	3,716
Property investment	1,749	4,970	6,210	711
Provision of property management services	438	–	269	–
Provision of finance	238	–	136	–
Segment total	596,408	17,414	127,814	4,427
Unallocated income			13	587
Unallocated expenses			(12,485)	(5,909)
Listing expenses			–	(16,438)
Finance costs			(320)	–
Profit (loss) before tax			115,022	(17,333)

Segment profit (loss) represents the profit or loss earned by each segment without allocation of listing expenses, certain other income, administration expenses, and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Segment assets		
Property development	1,342,265	765,903
Property investment	42,356	582,617
Provision of property management services	408	–
Provision of finance	49,497	13,284
Total segment assets	1,434,526	1,361,804
Unallocated assets	228,155	4,099
Consolidated total assets	1,662,681	1,365,903
Segment liabilities		
Property development	1,130,701	688,560
Property investment	2,220	223,877
Provision of property management services	101	–
Provision of finance	22	2
Total segment liabilities	1,133,044	912,439
Unallocated liabilities	30,789	3,336
Consolidated total liabilities	1,163,833	915,775

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	113	30
Temporary rental income from properties held for sale	1,690	1,401
Properties management fees	–	467
Others	47	273
	1,850	2,171

5. FINANCE COSTS

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	16,331	7,383
Loans from related parties	309	1,606
Total borrowing costs	16,640	8,989
Less: amount capitalised in cost of qualifying assets	(14,779)	(5,516)
	1,861	3,473

Borrowing costs capitalised during the current period arose on the specific borrowing for the expenditure on each property development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROFIT (LOSS) BEFORE TAX

	Six months ended	
	30.6.2017 HK\$'000 (Unaudited)	30.6.2016 HK\$'000 (Unaudited)
Profit (loss) before tax has been arrived at after (crediting) charging:		
Directors' emoluments	23,032	–
Other staff costs	5,354	2,643
Total staff costs	28,386	2,643
Less: capitalised in properties held for sale and investment properties	(1,335)	(1,059)
	27,051	1,584
Cost of inventories recognised as an expense	417,284	5,460
Depreciation of property, plant and equipment	103	77
Property agency commission (included in selling expenses)	29,086	117
Loss on write-off of plant and equipment	94	212
Legal and professional fees	1,868	4,310
Gross rental income from investment properties	(1,749)	(4,970)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	841	1,224
	(908)	(3,746)

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2017 HK\$'000 (Unaudited)	30.6.2016 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	20,253	1,215
Deferred tax	2,544	–
	22,797	1,215

The Group is subject to 16.5% of the estimated assessable profits under Hong Kong Profits Tax.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDEND

During the current period, final dividend of HK\$0.22 per share in respect of the year ended 31 December 2016, totalling HK\$49,280,000 (for the six months ended 30 June 2016: nil), was declared and paid on 19 May 2017.

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	Six months ended	
	30.6.2017 HK\$'000 (Unaudited)	30.6.2016 HK\$'000 (Unaudited)
Earnings		
Earnings (loss) for the purposes of basic earnings (loss) per share	92,225	(18,548)
	'000	'000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basis earnings (loss) per share (Note)	448,000	336,000

Note: On 19 May 2017, 224,000,000 shares of HK\$0.01 each were issued under bonus issue on the basis of one bonus share for every one existing share. Details of the bonus issue were set out in the announcement of the Company dated 19 May 2017. In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2017, the 224,000,000 shares issued by way of capitalisation from reserves have been regarded as if these shares were in issue since 1 January 2017. Loss per share for the six months ended 30 June 2016 were restated accordingly.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price plus unvested fair value of those options was higher than the average market price for shares for the six months ended 30 June 2017.

No diluted loss per share is presented for the six months ended 30 June 2016 as there were no dilutive potential ordinary shares outstanding during that period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. MOVEMENTS IN PLANT AND EQUIPMENT

During the current period, the Group spent HK\$1,042,000 (for the six months ended 30 June 2016: HK\$28,000) on plant and equipment.

11. INVESTMENT PROPERTIES

	Completed investment properties HK\$'000	Investment properties under construction HK\$'000	Investment properties pending revitalisation HK\$'000	Total HK\$'000
FAIR VALUE				
At 1 January 2017 (audited)	34,570	25,420	514,000	573,990
Additions	–	608	9,794	10,402
(Decrease) increase in fair value	(2,858)	–	12,206	9,348
Disposal	(16,600)	–	–	(16,600)
Transfer to properties held for sale	–	–	(536,000)	(536,000)
Transfer upon completion	26,028	(26,028)	–	–
At 30 June 2017 (unaudited)	41,140	–	–	41,140

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties using the fair value model.

The fair value, classified as Level 3 of the fair value hierarchy as at 30 June 2017, was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions.

In estimating the fair value of the property, the highest and best use of the property is their current use.

There were no transfers into or out of Level 3 during the current period.

These investment properties are commercial property units located in Hong Kong.

For the purpose of measuring deferred tax liability arising from investment property that is measured using the fair value model, the directors have reviewed the Group's investment property and determined that the presumption to recover the carrying amount of investment property through sale is not rebutted. As a result, the Group does not recognise deferred tax on changes in fair value of investment property (if any) as the Group is not subject to any income taxes on disposal of its investment property.

During the current period, certain investment properties pending revitalisation have been transferred to properties held for sale upon the commencement of development in view to sale. At the date of transfer, the gain from change in the fair value of these properties amounting to HK\$12,206,000 are recognised in profit or loss.

The Group's completed properties (31 December 2016: investment properties under construction and pending revitalisation) have been pledged to secure bank borrowings granted to the Group. Details are set out in note 18.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. LOAN RECEIVABLES

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Variable-rate loan receivables (<i>Note</i>)	47,505	11,590
Analysis as:		
– Non-current portion	44,336	11,449
– Current portion (<i>note 14</i>)	3,169	141
	47,505	11,590

Note:

The balances include:

- (i) *loan receivables amounting to HK\$403,000 (31 December 2016: HK\$790,000), which are secured by the property units of a borrower, interest bearing at Hong Kong Prime Rate plus 2% per annum; and*
- (ii) *loan receivables amounting to HK\$47,102,000 (31 December 2016: HK\$10,800,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong Prime Rate minus 1.75% per annum. The principal amounts will be fully repaid at the maturity dates respectively.*

Loans are provided to borrowers at a range of 60 to 70% of sale consideration of the pledged property units. The directors of the Company consider that the fair values of the collaterals are higher than the carrying amount of loan receivables as at 30 June 2017 and 31 December 2016.

As at 30 June 2017 and 31 December 2016, all the loan receivables are neither past due nor impaired.

Before accepting any new borrower, the Group management would assess the potential borrower's credit quality and define credit limits by borrower. Certain well established credit policies are used in assessing the credit equality, which mainly includes understanding the background of the potential borrower and obtaining collaterals from the borrower. Loan interest rates are provided to potential borrowers on a case-by-case basis depending on the credit quality assessment and collaterals provided by the respective customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. PROPERTIES HELD FOR SALE

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
The Group's carrying amounts of properties held for sale, stated at cost, comprise:		
– Properties under development	1,089,224	682,445
– Completed properties	106,700	9,084
	1,195,924	691,529

In the opinion of the directors, all properties under development held for sale are expected to be realised in the business cycle of two to three years.

The Group's properties held for sale have been pledged to secure bank borrowings granted to the Group. Details are set out in note 18.

14. TRADE AND OTHER RECEIVABLES

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Trade receivables for rental income	8	32
Loan receivables	3,169	141
Loan interest receivables	44	–
Deposits and other receivables	3,774	4,850
Prepayments		
– Prepaid property agent commission	1,096	15,546
– Other prepayments	284	424
	8,375	20,993

No credit term is allowed for trade receivables.

The Group's trade receivables based on invoice dates as at 30 June 2017 and 31 December 2016 all fell within the aging of 1 to 30 days.

All of the Group's trade receivables are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

15. DEPOSITS PAID

As at 30 June 2017, deposits paid include:

- (i) amount of HK\$214,600,000 represents a deposit and stamp duty prepaid for purchase of a property which is located in Hong Kong. The directors of the Company intended to acquire the property for redevelopment with a view to sale. During the current period, the Group entered into a sale and purchase agreement with an independent third party to purchase a building for a total cash consideration of HK\$760,000,000. The Company will lease the building to the seller for further two years after the completion of the transaction before the commencement of the redevelopment. The remaining considerations were payable upon the completion of the transaction on 14 August 2017; and
- (ii) amount of HK\$35,000,000 represents deposits paid to independent solicitors for acquiring the entire issued share capital and the right to all debts owing by a target group for a total cash consideration of HK\$350,000,000. The target group owns a property located in Hong Kong. The directors of the Company intended to acquire the property for redevelopment with a view to sale. The remaining considerations of HK\$315,000,000 were payable upon the completion of the transaction. On 10 August 2017, the Group enter a sale and purchase agreement to dispose of the target group to a third party investor for a total cash consideration of HK\$360,000,000. These transactions are not yet completed up to the date of this report.

As at 31 December 2016, the Group has paid deposits totalling of HK\$33,998,000 to independent solicitors for acquire the equity interest and shareholders' loan of a target company for a total cash consideration of HK\$339,980,000. The deposits are interest bearing at 0.001% per annum. The acquisition was completed during the current period as detailed in note 23.

16. STAKEHOLDER'S ACCOUNT/PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

The amounts comprise a stakeholder's account which is held by an independent intermediary for collecting sales receipts on the Group's behalf. The amounts are interest bearing at prevailing market interest rate of 0.001% per annum.

Pledged bank deposit represent bank deposit pledged to a bank for securing banking facilities grant to the Group.

The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER PAYABLES

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Construction payables	–	7,000
Retention payables (<i>Note</i>)	5,073	11,751
Other payables, deposits received and accruals		
– Receipts in advance from properties pre-sold	82,906	142,725
– Deposits received	763	1,291
– Accrued construction costs	24,281	5,795
– Accrued agency commission	12,941	–
– Others	17,301	2,697
	143,265	171,259

Note: As at 30 June 2017, all the retention payables are aged within one year (31 December 2016: retention payables amounting to HK\$7,846,000 is aged within one year while remaining amount of HK\$3,905,000 is aged one to two years). All retention payables as at 30 June 2017 and 31 December 2016 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

18. BORROWINGS

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Bank borrowings	996,513	741,663

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS (Continued)

All bank borrowings are pledged by the following assets of the Group:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Properties held for sale		
– completed, at cost	97,772	–
– under development for sales, at cost	1,089,224	682,445
	1,186,996	682,445
Investment properties		
– completed	25,420	–
– under development	–	25,420
– pending revitalisation	–	514,000
	25,420	539,420
Bank deposits	10,013	–

19. SHARE CAPITAL

The movement in share capital of the Company are as follows:

	<i>Notes</i>	Number of shares HK\$	Amount
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2017 and 30 June 2017		1,000,000,000	10,000,000
Issued and fully paid:			
At 1 January 2017		224,000,000	2,240,000
Bonus issue of shares	<i>(a)</i>	224,000,000	2,240,000
At 30 June 2017		448,000,000	4,480,000

Note:

- (a) On 19 May 2017, 224,000,000 shares of HK\$0.01 each were issued under bonus issue on the basis of one bonus share for every one existing share. Details of the bonus issue were set out in the announcement of the Company dated 19 May 2017.

20. SHARE-BASED PAYMENTS TRANSACTIONS

The Group adopted a share option scheme on 27 June 2016 (the “Share Option Scheme”). The purpose of the Share Option Scheme is to provide any directors and full-time employees of any member of the Group have contributed or will contribute to the Group (the “Participants”) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the Participants.

Pursuant to the Share Option Scheme, the directors of the Company may invite the Participants to take up options at a price determined by the board of directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date on which an offer is made by the Company to the grantee (which date must be a business day, the “Offer Date”); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 30% of the total number of shares in issue from time to time unless the Company obtains a fresh approval from the shareholders to refresh the limit.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed either (i) 30% of the issued share capital of the Company from time to time or (ii) 10% of the issued share capital of the Company as at the 13 July 2016 (without taking into account the shares which may be issued and allotted pursuant to the exercise of the over-allotment option and the options which may be or have been granted under the Share Option Scheme) unless shareholders’ approval has been obtained. No options may be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.

The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which would be determined and notified by the board of directors to the grantee at the time of making an offer.

During the current interim period, 12,432,000 share options with exercise price of HK\$2.06 per share were granted to certain directors and eligible employees on 25 January 2017. These share options are with vesting period from 25 January 2017 to 24 January 2018 and are exercisable from 25 January 2018 to 12 July 2026. After the bonus issued in May 2017 as detailed in note 19 (a), the number and exercise price of the share options are adjusted to 24,864,000 share options and HK\$1.03 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

	Number of share options '000
Outstanding as at 1 January 2017	–
Granted during the period	12,432
Adjusted during the period (<i>Note</i>)	12,432
Outstanding as at 30 June 2017	24,864

Note: The number of outstanding share options and exercise price were adjusted as a result of the bonus issue of shares of the Company on 19 May 2017. The details of the bonus issue were set out in the announcement of the Company dated 19 May 2017.

The estimated fair values of the options granted to directors and employees determined at the date of grant using the trinomial model before and after the bonus issue adjustment were HK\$1.08 and HK\$1.06 and, HK\$0.54 and HK\$0.53 respectively.

The following assumptions were used to calculate the fair values of share options:

		Directors 25 January 2017	Employees 25 January 2017
Before adjustment:	Grant date price	HK\$2.060	HK\$2.060
	Exercise price	HK\$2.060	HK\$2.060
After adjustment:	Grant date price	HK\$1.030	HK\$1.030
	Exercise price	HK\$1.030	HK\$1.030
Time to maturity (years)		9.461 years	9.461 years
Volatility		50.160%	50.160%
Dividend yield		0.579%	0.579%
Risk-free interest rate		1.725%	1.725%
Exercise multiples		3.342	2.860

The trinomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each interim period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

Fair value of the share options amounted to approximately HK\$13,426,000. During the period ended 30 June 2017, the Group recognised the total expense of HK\$5,775,000 (for the six months ended 30 June 2016: nil) in relation to share options granted by the Company.

21. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

At the end of the reporting period, the Group had commitments for future minimum lease payments to related companies under non-cancellable operating leases which fall due as follows:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Within one year	2,598	2,393

The leases are generally negotiated for a lease term of one year of fixed rentals.

THE GROUP AS LESSOR

Property rental income earned from investment properties and properties held for sale were aggregated to HK\$3,439,000 (for the six months ended 30 June 2016: HK\$6,371,000). The properties are expected to generate rental yields of 1% on an ongoing basis. Properties held have committed tenants for the next one to three years.

At the end of the reporting period, the Group had contracted tenant for the following future minimum lease payments:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Within one year	1,360	2,987
In the second to fifth year inclusive	-	3,320
	1,360	6,307

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. CAPITAL COMMITMENTS

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Capital expenditure in respect of the properties development project contracted for but not provided in the condensed consolidated financial statements	163,214	14,003
Capital expenditure in respect of acquisition of equity interest of subsidiaries contracted for but not provided in the condensed consolidated financial statements (<i>note 15</i>)	315,000	305,982
	478,214	319,985

23. ACQUISITION OF SUBSIDIARIES

On 26 September 2016, the Group entered into a sale and purchase agreement with two vendors that the Group agreed to acquire the equity interest and shareholders' loan of Canton Glory Limited, together with its wholly-owned subsidiary, namely Sincere Gold Properties Limited, (collectively referred to as "Canton Group") for a total cash consideration of HK\$339,980,000. Canton Group owned an industrial property located at Wang Yip Street West, Yuen Long, Hong Kong. The Group acquired the industrial property through acquisition of the entire equity interest in Canton Glory Limited and has been accounted for as a purchase of assets rather than business combination. Such industrial property is acquired for redevelopment with a view to sale. The transaction was completed on 24 February 2017.

Fair value of assets acquired at the date of acquisition (at provisional basis) are as follows:

	HK\$'000
Properties held for sale	339,862
Trade and other receivables	118
	339,980

Cash outflow on acquisition of subsidiaries during the current period are as follows:

	HK\$'000
Total consideration in cash	339,980
Less: Deposit paid during the year ended 31 December 2016	(33,998)
Cash outflow on acquisition of subsidiaries	305,982

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY DISCLOSURES

(I) TRANSACTIONS

The Group had the following transactions with related parties during the current period:

Name of related parties	Nature of transaction	Six months ended	
		30.6.2017 HK\$'000 (Unaudited)	30.6.2016 HK\$'000 (Unaudited)
Crystal Harbour Development Limited	Finance cost	–	803
Galaxy Asset Management (HK) Limited ("GAMHK")	Rental expense (<i>Note a</i>)	–	550
South Project Investment Limited	Finance cost	–	803
Sunny Generation Limited ("Sunny Generation")	Rental expenses (<i>Note a</i>)	174	332
Mr. Chan Man Fai Joe (directors)	Finance cost (<i>Note b</i>)	309	–
Mr. Liu Hon Wai (directors)	Sales commission (<i>Note c</i>)	1,663	–
Vogue Town Limited ("Vogue Town")	Rental of director's quarters (<i>Note d</i>)	900	60
Metropolitan Wine Cellar Limited ("Metropolitan Wine")	Entertainment expenses (<i>Note e</i>)	(9)	41
Metropolitan Lifestyle (H.K.) Limited ("Metropolitan Lifestyle")	Motor vehicle expenses (<i>Note f</i>)	30	–

24. RELATED PARTY DISCLOSURES (Continued)

(I) TRANSACTIONS (Continued)

Notes:

- (a) Rental expense charged by GAMHK and Sunny Generation was based on office area occupied by the Group and at a rent agreed by both parties.
- (b) The loan from director carried interest at 2.9% per annum. The loan amounting to HK\$105,000,000 was received and repaid to the director during the current period.
- (c) The sales commission is determined based on agreed terms as set out in the letter of employment.
- (d) The rental expenses represent the leasing of a director's quarters for Mr. Chan Man Fai, Joe from Vogue Town at a price agreed by both parties.
- (e) Entertainment expenses represent (refund of over-priced for purchases) purchase of wines from Metropolitan Wine at a price agreed by both parties.
- (f) Motor vehicle expense represent the leasing of a motor vehicle from Metropolitan Lifestyle at a price agreed by both parties.

A director of the Company has significant influence over the above related companies.

Details of other transactions with related parties are set out in the condensed consolidated statement of cash flows.

(II) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The directors are identified as key management members of the Group. Their emoluments are disclosed in note 6.

25. EVENTS AFTER REPORTING PERIOD

On 26 July 2017, the Company proposed open offer to raise approximately HK\$134 million before expenses, pursuant to which 179,200,000 offer shares will be issued at the subscription price of HK\$0.75 per offer share. The Company will allot two offer shares for every five shares held by the qualifying shareholders. Details of the open offer were set out in the announcement of the Company dated 26 July 2017.