



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  
2020



# CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Corporate Governance and Other Information	13
Report on Review of Condensed Consolidated Financial Statements	20
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	22
Condensed Consolidated Statement of Financial Position	23
Condensed Consolidated Statement of Changes in Equity	24
Condensed Consolidated Statement of Cash Flows	25
Notes to the Condensed Consolidated Financial Statements	27

# 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

11/F, TG Place,  
10 Shing Yip Street,  
Kwun Tong, Kowloon,  
Hong Kong

## COMPANY WEBSITE

[www.starproperties.com.hk](http://www.starproperties.com.hk)

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTOR

Mr. Chan Man Fai Joe (陳文輝)  
Ms. Cheung Wai Shuen (張慧璇)  
Mr. Liu Hon Wai (廖漢威)  
Prof. Pong Kam Keung (龐錦強)

### NON-EXECUTIVE DIRECTOR

Mr. Yim Kwok Man (嚴國文)

### INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lee Chung Ming Eric (李仲明)  
Ms. Chan Wah Man Carman (陳華敏)  
Dr. Wong Wai Kong (黃偉桃)

## COMPANY SECRETARY

Ms. Cheung Wai Shuen (HKICS)

## AUDIT COMMITTEE

Ms. Chan Wah Man Carman (*Chairman*)  
Mr. Lee Chung Ming Eric  
Dr. Wong Wai Kong

## NOMINATION COMMITTEE

Mr. Chan Man Fai Joe (*Chairman*)  
Mr. Lee Chung Ming Eric  
Dr. Wong Wai Kong

## REMUNERATION COMMITTEE

Ms. Chan Wah Man Carman (*Chairman*)  
Mr. Chan Man Fai Joe  
Dr. Wong Wai Kong

## RISK CONTROL COMMITTEE

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

## EXECUTIVE COMMITTEE

Mr. Chan Man Fai Joe  
Ms. Cheung Wai Shuen  
Mr. Liu Hon Wai  
Prof. Pong Kam Keung

## **AUTHORISED REPRESENTATIVES**

Mr. Chan Man Fai Joe  
Ms. Cheung Wai Shuen

## **PRINCIPAL BANKERS**

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

Hang Seng Bank  
83 Des Voeux Road, Central  
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

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

## **AUDITOR**

BDO Limited  
*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 54, 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 2020 was approximately HK\$6.3 million, including revenue mainly from provision of finance and provision of construction and fitting out works of approximately HK\$3.2 million and HK\$1.4 million, respectively, (for the six months ended 30 June 2019: approximately HK\$26.4 million, including revenue mainly from property development and provision of finance of approximately HK\$20.9 million and HK\$3.6 million, respectively), which represented a decrease of approximately HK\$20.1 million as compared with the last period. The profit attributable to owners of the Company for the six months ended 30 June 2020 was approximately HK\$350.3 million (for the six months ended 30 June 2019: loss of approximately HK\$3.2 million). The decrease in revenue and the increase in profit for the six months ended 30 June 2020 was mainly due to no completion and delivery of units from the property development project and gain on disposal of a subsidiary of approximately HK\$383.2 million during the reporting period. The profit per share for the period was approximately HK54.61 cents as compared to loss per share of approximately HK0.51 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. No revenue was recognised in this business segment for the six months ended 30 June 2020 (for the six months ended 30 June 2019: HK\$20.9 million). As at 30 June 2020, the Group has three completed projects, namely, (a) The Galaxy; (b) The Star and (c) The Rainbow; and five projects under development, namely, (d) the Yuen Long Site Project; (e) the Kwun Tong Site Project; (f) Tack Lee Project; (g) Seongsu Project and (h) Sausage Project.

### (a) The Galaxy:

The Group has entered into a sales and purchase agreement in June 2020 in respect of sales of the last unit which is expected to be completed in August 2020. No revenue was recognised for the six months ended 30 June 2020 while approximately HK\$4.2 million revenue will be recognised upon completion (for the six months ended 30 June 2019: completion and delivery of 2 car parking spaces amounted to approximately HK\$0.8 million). After the completion of the said unit, all units of The Galaxy have been sold out and delivered.

### (b) The Star:

The Group has entered into 3 sales and purchase agreements in respect of sales of last three car parking spaces which are expected to be completed in September 2020. No revenue was recognised for the six months ended 30 June 2020 while approximately HK\$3.7 million revenue will be recognised upon completion (for the six months ended 30 June 2019: completion and delivery of 2 car parking spaces amounted to approximately HK\$4.0 million). After the completion of the said car parking spaces, all units of The Star have been sold out and delivered.

### (c) The Rainbow:

In order to enhance the attractiveness of properties held for sales and generate temporary rental income, the Group has entered into several tenancy agreements to rent out some commercial units. Even no revenue was recognized for completion and delivery of the units, the temporary rental income from properties held for sale recognised for the six months ended 30 June 2020 was HK\$4.3 million (for the six months ended 30 June 2019: completion and delivery of 2 units amounted to approximately HK\$16.9 million).

Subsequently in August 2020, the Group has entered into 2 preliminary sales and purchase agreements in respect of sales of 2 units of The Rainbow. Both transactions are expected to be completed in 2nd half of 2020.

### (d) The Yuen Long Site Project:

The Group intends to redevelop it into a residential complex with some shops on ground floor. This project is positioned as a luxury and stylish condominium residential complex targeting at young residents pursuing high quality and design driven lifestyle. The Group has obtained town planning approval around the middle of 2019 and building plan approval in February 2020. The hoarding and demolition work were completed and foundation is being laid. Application for lease modification has been lodged to the Lands Department since the fourth quarter of 2019 and we expect the Lands Department to assess the land premium in relation to such lease modification around the end of 2020. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

### (e) Kwun Tong Site Project:

The Group intends to redevelop it into a high end prestigious commercial building. Hoarding and demolition work of the existing building commenced in the third quarter of 2019. Town planning application was submitted in fourth quarter of 2019, and was approved in the second quarter of 2020 to change the use of the site from industrial to commercial together with an additional plot ratio (about 20%) in accordance with the Government policy in the revitalization of industrial building. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

### (f) Tack Lee Project (The Cloud):

The project is named as "The Cloud". The Group intended to redevelop and reconstruct a new building in light of the new initiatives of the revitalization of industrial building announced in the Policy Address by the Chief Executive in the fourth quarter of 2018. The Group has successfully obtained the approval for minor relaxation of plot ratio to increase the plot ratio and all demolition work has been completed in the first quarter of 2020. The marketing campaign of The Cloud is in the progress and the pre-sales of the building is expected to carry out in the 3rd quarter of 2020. It is estimate that the completion and revenue recognition will be at the end of 2021 or in the year of 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (g) Seongsu Project:

The site is located in Seongsu area of Seoul, South Korea and the Group intends to redevelop it into a high end prestigious building. The construction company for the project has been concluded and the demolition work was completed in 2nd quarter of 2020. The construction process is expected to be completed in 3rd quarter of 2022. Upon the completion of the property redevelopment work, the Group intends to sell out the whole building to generate revenue.

### (h) Sausage Project:

The site is located at the same area of Seongsu Project. The Group intends to develop both projects into two high end prestigious buildings as landmark for the Group in the Seongsu area. The construction company has been concluded and the construction process is expected to be completed in 4th quarter of 2021. Upon the completion of the property redevelopment work, the Group intends to sell out the whole building to generate revenue. Together with Seongsu Project, they would be regarded as a landmark for the Group in the Seongsu area. Upon the completion of the property redevelopment work, the Group intends to sell out the whole building to generate revenue.

## DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL AND SHAREHOLDER'S LOAN OF THE HOLDING COMPANY OF CWK PROJECT

Save as disclosed in Annual Report 2019, the disposal of the entire issued share capital and shareholder's loan of the holding company of CWK Project, which was an indirectly wholly owned subsidiary of the Company (the "Disposal of Subsidiary") was completed. A gain on this Disposal of Subsidiary of approximately HK\$383.2 million was recognized for the six months ended 30 June 2020.

For the six months ended 30 June 2020, the Group has focused on planning and development of the existing projects to ensure the scheduled timelines of the projects could be achieved. The Group will continue to pay ongoing attention to the latest property market in Hong Kong and worldwide to source for the best development opportunities.

## PROPERTY INVESTMENT

As at 30 June 2020, the Group's portfolio of investment properties with total carrying value of HK\$50.7 million (31 December 2019: approximately HK\$52.0 million) comprised of 2 industrial units with carrying value of HK\$47.0 million and 3 car parking spaces under The Star with carrying value of HK\$3.7 million all located in Hong Kong. Save as disclosed in the above, these 3 car parking spaces under The Star are expected to be completed and delivered in September 2020 and classified as "assets classified as held for sale" as at 30 June 2020. Revenue recognised in this business segment for the six months ended 30 June 2020 amounted to approximately HK\$0.6 million (for the six months ended 30 June 2019: approximately HK\$0.2 million), representing a stable income over the corresponding period last year.

The Group intended to increase the proportion of investment property for rental and capital appreciation by acquiring new investment properties, and may consider if any of the development properties to have appreciation potential to be converted as investment properties, which allow more stable rental income to be generated by the investment properties.



### PROVISION OF PROPERTY MANAGEMENT SERVICES

The Group is providing the property management services for the owners of our three completed projects, The Galaxy, The Star and The Rainbow. During the 1st quarter of 2020, the Group has entered into a management agreement to provide property management services for the owners of a residential building located at Happy Valley. Revenue recognised in this business segment for the six months ended 30 June 2020 amounted to approximately HK\$1.0 million (for the six months ended 30 June 2019: approximately HK\$1.6 million), the Group expects this segment of business to be expanded as the increase of its upcoming completed projects and brand recognition via the quality of services.

### PROVISION OF FINANCE

The Group is operating in this business segment to provide credit facilities to individuals and corporations clients for its own development projects. Revenue generated from this business segment for the six months ended 30 June 2020 amounted to approximately HK\$3.2 million (for the six months ended 30 June 2019: HK\$3.6 million), representing an decrease of approximately HK\$0.4 million over the corresponding period last year. The slightly decrease in revenue was mainly attributable to repayment of loan from borrowers. The Group expects this business segment will continue to generate a stable income for the Group and provide support to enhance sales of property.

### OTHER BUSINESS SEGMENTS

The Group decides to expand its business scope for generating a stable income and enhance synergy with its existing business segments. During the six months ended 30 June 2020, the Group is in the progress to develop below business segments:

### PROVISION OF CONSTRUCTION AND FITTING OUT WORKS

The Group decides to develop this business segment to provide construction services for its own projects and fitting out works for the owners of the properties which are currently managing by the Group to enhance the synergy and cost saving as well as quality control. The Group is in the progress to apply the relevant licenses and expected to obtain all necessary licenses by end of 2020.

### PROVISION OF SECURITY SERVICES

The Group has successfully obtained the security company license in July 2020 and is preparing to take over the security services from the 3rd quarter of 2020 for all of the sites which it is currently providing property management services. Upon the transition, the Group will be able to provide an all-rounded property management and security services and this new business segment is expected to generate a stable income for the Group.

### CAPITAL STRUCTURE

Detail of the movements in the Company's share capital are set out in note 21 of this Interim Report.



## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2020 was approximately HK\$1,055.4 million (31 December 2019: approximately HK\$709.1 million). As at 30 June 2020, the Group maintained bank balances and cash of approximately HK\$73.7 million (31 December 2019: approximately HK\$62.3 million). The Group's net current asset was approximately HK\$851.1 million (31 December 2019: HK\$484.3 million). The Group had current assets of approximately HK\$2,739.8 million (31 December 2019: approximately HK\$3,264.7 million). The decrease of current assets was mainly due to Disposal of Subsidiary in January 2020 as disclosed in the company announcement in relation to the very substantial disposal dated 27 March 2020. The Group had current liabilities of approximately HK\$1,892.3 million (31 December 2019: approximately HK\$2,780.5 million). The decrease of current liabilities was mainly due to repayment of bank borrowings in relation to CWK Project and short-term loan from a director.

The Group generally finances its operations with internally generated cashflow and bank borrowings. As at 30 June 2020, the Group had outstanding bank borrowings of approximately HK\$1,820.4 million (31 December 2019: approximately HK\$2,580.2 million). The bank borrowings as at 30 June 2020 were secured by the Group's properties, or pledged bank deposits, or corporate guarantee.

The Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as the total borrowings net of cash and cash equivalents divided by total equity) decreased from approximately 369.4% as at 31 December 2019 to approximately 172.5% as at 30 June 2020 and decreased from approximately 360.6% as at 31 December 2019 to approximately 165.5% as at 30 June 2020 respectively. The decrease of both ratios was primarily due to the Disposal of Subsidiary and repayment of both bank borrowings and short-term loan from a director.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) decreased from approximately 73.3% as at 31 December 2019 to approximately 59.3% as at 30 June 2020 due to a repayment of bank borrowings and short-term loan from a director after the Disposal of Subsidiary.

The Group's capital commitment as at 30 June 2020 amounted to approximately HK\$258.9 million (31 December 2019: approximately HK\$99 million). The increase of capital commitment was mainly due to contracts signed for Korea project development.

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.

The Group adopts a continuing monitoring approach towards financial management policy so that the financial resources are reviewed from time to time to ensure the Group's smooth operation and loan repayment obligations. Therefore, the management of the Group is of the opinion that the Group's financial structure and resources are healthy and sufficient for meeting its needs on operation, potential investment and to cope with market changes.

### FOREIGN EXCHANGE EXPOSURE

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments in South Korea which are denominated in United States dollars and Korean Won. The Group acquired 2 sites in South Korea as disclosed under Property Development section and the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in US dollars and Korean Won.

In respect of the Group's operations in South Korea, the Group maintains an appropriate level of external borrowings in Korean Won for natural hedging of Korean Won attributed to those projects. The Korean Won currency exposure of the Group is mainly derived from the translation of current assets and liabilities of the subsidiaries in South Korea with functional currency of Korean Won and the Korean Won deposits held for future development costs to be expended to Hong Kong dollar.

As at 30 June 2020, offshore borrowings were approximately Korean Won 17.0 billion, which is approximately HK\$109.6 million (31 December 2019: approximately Korean Won 17.0 billion, which is approximately HK\$114.3 million). The project loans for both Seongsu Project and Sausage Project were secured in July 2020. The offshore borrowings are expected to be repaid after the disposal of projects. The finance cost was approximately 4.2% as at 30 June 2020.

Apart from this, the Group does not have any material foreign exchange exposure. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. During the reporting period, the Group has not entered into any agreement or committed to any financial instruments to hedge any exchange rate exposure.

### PLEDGE OF ASSETS

As at 30 June 2020, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK\$50.7 million and HK\$2,620.0 million as well as HK\$10.3 million respectively (31 December 2019: approximately HK\$52.0 million and HK\$3,150.9 million, as well as HK\$10.3 million respectively) were pledged to secure the Group's banking facilities.

### COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. For the six months ended 30 June 2020, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

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

On 9 January 2020, Inventive Rainbow Limited, an indirect wholly-owned subsidiary of the Group, disposed the entire equity interest of Rainbow Red Holdings Limited, a property development company, for a consideration of HK\$980,000,000 to an independent third party. Rainbow Red Holdings Limited was the holding company of CWK Project. Upon reconsideration of the transactions involving change in control of entities instead of transfer of control of assets to customers, the Group decided to treat such disposal as a very substantial disposal and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). Please refer to the announcement of the Company dated 28 April 2020 and 15 July 2020; and the circular of the Company dated 28 May 2020 for details.

On 24 January 2020, the Company (as purchaser) and Metropolitan Lifestyle (BVI) Limited (as vendor) entered into an acquisition agreement (the "Previous Acquisition Agreement"), pursuant to which the Company conditionally agreed to acquire, and Metropolitan Lifestyle (BVI) Limited conditionally agreed to sell, the entire issued share capital of Metropolitan Group (BVI) Limited and all obligations, liabilities and debts owing or incurred by Metropolitan Group (BVI) Limited and its subsidiaries (the "Metropolitan Group") at an aggregate consideration of HK\$420,000,000. Metropolitan Lifestyle (BVI) Limited is indirectly held as to 100% by Mr. Chan Man Fai Joe. The acquisition was lapsed on 30 June 2020 due to certain conditions under the Acquisition Agreement has not been fulfilled or waived by the long stop date as defined in the circular. Please refer to the announcement of the Company dated 24 January 2020 and 30 June 2020; and the circular of the Company dated 27 March 2020 (the "Circular") for details.

The Board considers that it will be in the interest of the Company and its Shareholders as a whole, if, upon the termination of the Previous Acquisition Agreement, the Company and the Vendor could enter into the Acquisition Agreement as soon as possible. Subsequently on 21 July 2020, the Company (as purchaser) and Metropolitan Lifestyle (BVI) Limited (as vendor) entered into another acquisition agreement to acquire the Metropolitan Group at an aggregate consideration of HK\$460,000,000. Please refer to the announcement of the Company dated 21 July 2020 for details.

Save for those disclosed in this interim report, there was no significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the reporting period.

Save as disclosed in this interim report, the Group did not have other plans for investment of material or capital assets as of 30 June 2020.

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed 43 employees including 12 employed under construction company (31 December 2019: 26 including 4 employed under construction company) and appointed 8 Directors. 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 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.

### POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its businesses, financial condition, operations and prospects, and considered that the major risks and uncertainties that may affect the Group included (i) economic and financial conditions which may directly affect the property market; (ii) availability of suitable sites and/or existing buildings for future property development; (iii) the continuous increase of construction costs; (iv) business cycle for property under development may be influenced by a number of factors, such as delays in obtaining the Government approvals for our property development projects, and the Group's revenue will be directly affected by the mix of properties available for sale and completion; (v) all construction works are outsourced to independent third parties that they may fail to provide satisfactory services adhering to our quality and safety standards as well as within the timeline required by the Group; (vi) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (vii) credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy; and (ix) the foreign exchange risk which has disclosed under foreign exchange exposure section.

The Board acknowledges that it is responsible for monitoring the risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Group has established risk control committee for internal control and risk management. The risk control committee will review the possible risks and uncertainties from time to time to enable the Group could response to risk effectively and promptly.

## MANAGEMENT DISCUSSION AND ANALYSIS

### IMPACT OF NOVEL CORONAVIRUS (“COVID-19”) OUTBREAK TO THE GROUP

The COVID-19 pandemic has led to a severe impact to different industry globally as well as people's livelihoods. The Group has taken immediate action to minimise the impact of the coronavirus outbreak to our business operation. The Group adopted several precautionary measures to protect our workplace from outbreak by providing clear and timely guidelines to all staffs; daily following up on all staff's health status, travel history and potentially infectious contacts; providing extra sanitisation products and air purifier machine. From the business aspect, the sale of remaining inventory and development process was slightly delayed in the first six months of 2020. However, since of mid-August 2020, the situation of COVID-19 pandemic is improving, our sale of remaining inventory received a positive response. The Group is closely communicating with the business partners to follow-up different schedules and planning. The Group will also observe the market situation to conduct the pre-sales of next project at the best timing.

### PROSPECT

In face of pandemic, tense and rival relationship between China and America and the debut of National Security Ordinance coupled with the social unrest, however, Hong Kong residential market has been performing unexpectedly well pinpointed by Leading Centaindex which reached year high, 181.72, in the month of June, not to mention plenty of HK stocks have broken the historical high in the month of July. The new policy regarding relaxation of mortgage on residential properties by Government and unlimited Quantitative Easing policy by Federal Reserve of America are the key drivers.

Nevertheless, with the borders between China and other foreign countries closed, the real economy of Hong Kong has been still suffering pains across different industries, such as tourist related industries, retails etc. As such, both the rental and selling price of the non-domestic properties including offices, shops and factories are sliding slowly.

After all, we are still optimistic on the both residential and non-domestic property market due to the following reasons. Technology has been evolving all the time in the history of human beings. As a matter of fact, many developed countries are working on vaccine and medicine taking care of COVID-19 at full speed and in whatever it takes manner. Numerous vaccines and medicines have come to the stage of testing in Humans. Vaccine and effective medicine will be worked out soon. Secondly, over the course of unlimited QE, trillions dollars are flooding into economy and financial system of America that in turn are rippling into the financial market and economy in Hong Kong. Next to zero interest rate will help to bring the investors back to the non-domestic property market. Thirdly, China has got some big steps in containing the COVID-19, we believe with the advancement of testing equipment and tracking system, the border between China and Hong Kong will be opened up very soon. The real economy of Hong Kong will be bolstered.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2020 of HK2.0 cents per share (for the six months ended 30 June 2019: Nil) amounting to in aggregate HK\$12,829,960 to the shareholders of the Company whose names appear on the Company's register of member on Wednesday, 14 October 2020. The interim dividend is expected to be distributed to those entitled on Tuesday, 27 October 2020. During the current period, a final dividend of HK0.2 cents per share in respect of the year ended 31 December 2019 (for the six months ended 30 June 2019: final dividend of HK15.5 cents per share in respect of the year ended 31 December 2018), total HK\$1,283,000 (for the six months ended 30 June 2019: HK\$99,432,000), was declared and paid.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Interim Dividend, the Register of Members will be closed from Wednesday, 14 October 2020 to Friday, 16 October 2020, during which no transfer of shares of the Company will be registered. In order to qualify for the Interim Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Share Registrar for registration not later than 4:30 p.m. on Tuesday, 13 October 2020. The Interim Dividend is expected to be distributed to those entitled on Tuesday, 27 October 2020.

## 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 2020, 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 (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### INTERESTS OF OUR DIRECTORS AND CHIEF EXECUTIVE IN OUR SHARES

Name of our Directors/ chief executive	Number of ordinary shares directly and beneficially held (Beneficial owner/ through controlled corporation)	Interests in Share Option (Note 2)	Total	Approximate percentage of shareholding interests in our Company (%) (Note 3)
<b>Executive Director</b>				
Mr. Chan Man Fai Joe	434,640,800 (Note 1)	5,476,000	440,116,800	68.61
Ms. Cheung Wai Shuen	300,000	6,099,200	6,399,200	1.00
Mr. Liu Hon Wai		4,899,200	4,899,200	0.76
Prof. Pong Kam Keung		2,136,000	2,136,000	0.33
<b>Non-executive Directors</b>				
Mr. Yim Kwok Man		627,200	627,200	0.10
<b>Independent non-executive Directors</b>				
Ms. Chan Wah Man Carman	156,000	471,200	627,200	0.10
Mr. Lee Chung Ming Eric		627,200	627,200	0.10
Mr. Shiu Siu Tao (resigned on 24 January 2020)		627,200	627,200	0.10

*Notes:*

1. *Star Properties Holdings (BVI) Limited is the registered or beneficial owner of 432,140,800 ordinary 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. *These represent the interests of share options granted to the Directors under the share option scheme adopted by the Company on 27 June 2016 to subscribe for shares.*
3. *These percentages were compiled based on the total number of issued shares (i.e. 641,498,000 shares) at 30 June 2020.*



## 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 2020, 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 ordinary shares and underlying shares held	Interests in share Option	Approximate percentage of shareholding interests in our Company (%) (Note 4)
Mr. Chan Man Fai Joe	Interest of controlled corporation (Note 2)	432,140,800 (Note 1)		67.36%
	Beneficial owner	2,500,000	5,476,000 (Note 1)	1.25%
Star Properties Holdings (BVI) Limited	Beneficial owner (Note 2)	432,140,800 (Note 1)		67.36%
Mr. Lam Kin Kok	Interest of controlled corporation (Note 3)	38,259,200 (Note 1)		5.96%
	Beneficial owner	1,558,000		0.24%
Eagle Trend (BVI) Limited	Beneficial owner (Note 3)	38,259,200 (Note 1)		5.96%

Notes:

1. All the interest stated above represents long positions.
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.
4. These percentages were compiled based on the total number of issued shares (i.e. 641,498,000 shares) at 30 June 2020.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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 the Group; (2) provide the Eligible Participants (as defined below) 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 the 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 the Group.

During the year ended 31 December 2017 and 31 December 2018, 26,107,200 share options and 21,193,088 share options with exercise price of HK\$0.98 and HK\$0.75 respectively per share were granted to certain directors and employees. Subject to the rules of the Share Option Scheme, the Share Options are exercisable in the following manner:

Date of Grant	Total number of Share option granted	Period for the exercise of the relevant Options
25 Jan 2017	26,107,200	25 Jan 2018 — 12 July 2026
18 Oct 2018	21,193,088	18 Oct 2018 — 17 Oct 2028

### DETAILS OF THE MOVEMENTS IN THE COMPANY'S SHARE OPTIONS DURING THE SIX MONTHS ENDED 30 JUNE 2020 (THE "PERIOD") ARE SET OUT BELOW:

Name or category	Outstanding as at 31 December 2019	Granted during the Period	Exercised during the Period	Adjusted during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding at 30 June 2020	Approximate percentage of the issued shares of the Company
<b>Executive Directors</b>								
Mr. Chan Man Fai Joe	5,476,000	—	—	—	—	—	5,476,000	0.85%
Prof. Pong Kam Keung	2,136,000	—	—	—	—	—	2,136,000	0.33%
Ms. Cheung Wai Shuen	6,099,200	—	—	—	—	—	6,099,200	0.95%
Mr. Liu Hon Wai	4,899,200	—	—	—	—	—	4,899,200	0.76%
<b>Non Executive Director</b>								
Mr. Yim Kwok Man	627,200	—	—	—	—	—	627,200	0.10%

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Name or category	Outstanding as at 31 December 2019	Granted during the Period	Exercised during the Period	Adjusted during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding at 30 June 2020	Approximate percentage of the issued shares of the Company
<b>Independent Non Executive Directors</b>								
Mr. Shiu Siu Tao (resigned on 24 Jan 2020)	627,200	—	—	—	—	—	627,200	0.10%
Mr. Chan Wah Man Carman	471,200	—	—	—	—	—	471,200	0.07%
Mr. Lee Chung Ming Eric	627,200	—	—	—	—	—	627,200	0.10%
<b>Other Employees</b>								
Other Employees	4,607,088	—	—	—	—	—	4,607,088	0.72%

Notes:

1. These options represent personal interest held by the grantees as beneficial owners.
2. These percentages were compiled based on the total number of issued shares. (i.e. 641,498,000 shares) at 30 June 2020.

Save as disclosed, as at 30 June 2020, 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.

### DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at 30 June 2020, 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 adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) relating to dealings in securities. Memorandum was sent to the Directors twice a year to draw their attention to the Model Code. Having made specific enquiries of each Directors, the Company confirmed that all Directors, except Mr. Chan Man Fai Joe, have complied with the required standard set out in the Model Code throughout the reporting period and no incident of non-compliance by the directors was noted by the Company throughout the reporting period. On 27 January 2020, the Company entered into a conditional acquisition agreement with Metropolitan Lifestyle (BVI) Limited, which is a company indirectly wholly owned by Mr. Chan Man Fai Joe, in relation to the issue of convertible bonds as part of consideration of the acquisition. Afterwards Mr. Chan Man Fai Joe noticed that the entering into of the conditional acquisition with convertible bonds as part of the consideration within the blackout period also constitutes a breach of A.3(a)(ii) and B.8 of the Model Code by dealing in shares within blackout period, the acquisition agreement eventually lapsed. Save as disclosed, Mr. Chan Man Fai Joe has complied with the required standard set out in the Model Code throughout the reporting period.

### CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

In accordance with the continuing obligations set out in rule 13.21 of Chapter 13 of the Listing Rules, the following are the details of the loan agreement with covenants relating to specific performance on the controlling shareholders of the Company pursuant to rule 13.18 thereof. There exists no reporting obligation by the Company under rules 13.17 and 13.19 of the Listing Rules accordingly.

On 13 August 2020, Noble Energy Limited (an indirect wholly owned subsidiary of the Company), as the Borrower, entered into a facility agreement (the “Facility Agreement”) with a bank for the land and construction loan up to an aggregated amount of HK\$255,048,000 at the terms of 21 months from the date of signing of Facility Agreement or 6 months after the issuance of occupation permit for the Tack Lee Project, whichever is earlier.

Pursuant to the terms of the Facility Agreement, the Company undertakes with the bank, inter alia, that Mr. Chan Man Fai Joe, the Chairman and controlling shareholder of the Company, shall maintain his directorship and/or indirect beneficial shareholding in the Company for not less than 60% and maintain control over the management and business of the Group.

As at the date of the Loan Agreement, Mr. Chan Man Fai Joe held direct and indirect an aggregate interest in 434,640,800 shares in the Company, representing approximately 67.75% of the issued share capital of the Company.

As at the date of this interim report, the aggregate interest in the shares in the Company held by Mr. Chan Man Fai Joe, direct and indirect, is 434,640,800 shares, representing approximately 67.75% of issued share capital of the Company.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company for the six months ended 30 June 2020.

### CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules with the exception for code provision A.2.1, which requires the roles of chairman and chief executive officer be in different individuals, throughout the Period.

Under code provision A.2.1 of the CG Code, 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 the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group’s operations as he directly supervises our senior management.

The Company has considered the issue of balance of power of authority on the Board and believes the structure of the Company, including strong independent elements in the Board, delegation of authorities to the management, supervision by the Board and Board committees, is sufficient to address the potential issue on power concentration. All Directors, who bring different experience and expertise to the Company, are properly briefed on issues arising at Board meetings and that adequate, complete and reliable information is received by the Directors. Furthermore, decisions of the Board are made by way of majority votes. The Board believes that this structure is conducive to a more precise and more promptly response to the fast changing business environment and a more efficient management and implementation of business process. The Board also considers that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group’s business strategies. The Board consider Mr. Chan Man Fai Joe 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.

### REVIEW OF FINANCIAL STATEMENT

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Chan Wah Man Carman, Mr. Lee Chung Ming Eric and Dr. Wong Wai Kong 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 2020 and agreed to the accounting principles and practices adopted by the Company.

In addition, the Company’s auditor, BDO Limited, has also conducted a review of the aforesaid unaudited interim financial information in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 31 August 2020

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

## TO THE BOARD OF DIRECTORS OF STAR PROPERTIES GROUP (CAYMAN ISLANDS) LIMITED

星地產集團(開曼群島)有限公司

*(Incorporated in 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 22 to 52, which comprises the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and certain explanatory notes. The 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 (“HKICPA”). 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 HKICPA. 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.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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.

### OTHER MATTER

The comparative unaudited interim financial information for the six months ended 30 June 2019 were reviewed by another auditor who expressed an unmodified opinion on 16 August 2019.

#### **BDO Limited**

Certified Public Accountants

#### **Pak Tak Lun**

Practising Certificate No.: P06170

Hong Kong, 31 August 2020



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTES	Six months ended 30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)
<b>Revenue</b>			
Sales of properties and provision of property management services and provision of construction and fitting out works	4A	2,438	22,572
Rental income from leasing of investment properties		648	212
Interest income from provision of finance		3,184	3,596
<b>Total revenue</b>		<b>6,270</b>	<b>26,380</b>
Cost of sales and services		(582)	(6,734)
Gross profit		5,688	19,646
Other income	5	4,969	3,128
Gain on disposal of a subsidiary	23	383,197	—
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss		50	(1,119)
Loss on change in fair value of investment properties	12(a)	(1,340)	(620)
Selling expenses		(89)	(1,491)
Administrative expenses		(33,248)	(13,505)
Finance costs	6	(7,224)	(8,092)
Profit/(loss) before tax	7	352,003	(2,053)
Income tax expense	8	(2,132)	(1,411)
Profit/(loss) for the period		349,871	(3,464)
<b>Other comprehensive expense for the period</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(2,340)	(2,404)
<b>Total comprehensive income/(expense) for the period</b>		<b>347,531</b>	<b>(5,868)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		350,320	(3,241)
Non-controlling interests		(449)	(223)
		349,871	(3,464)
<b>Total comprehensive income/(expense) for the period attributable to:</b>			
Owners of the Company		348,094	(5,573)
Non-controlling interests		(563)	(295)
		347,531	(5,868)
Earnings/(losses) per share			
— Basic and diluted (HK cents)	10	54.61	(0.51)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Plant and equipment	11	758	784
Right-of-use assets		1,063	1,367
Investment properties	12(a)	47,000	52,000
Loan receivables	13	149,558	164,766
Financial assets at fair value through profit or loss	14	6,078	6,119
		<b>204,457</b>	<b>225,036</b>
<b>Current Assets</b>			
Properties held for sale	15	2,622,146	3,153,060
Trade and other receivables	16	25,326	32,608
Financial assets at fair value through profit or loss	14	2,169	460
Stakeholder's accounts	17	6,104	6,066
Pledged bank deposits	17	10,324	10,257
Bank balances and cash	17	73,687	62,276
		<b>2,739,756</b>	<b>3,264,727</b>
Assets classified as held for sale	12(b)	3,660	—
<b>Current Liabilities</b>			
Trade and other payables	18	68,727	104,253
Contract liabilities	19	1,061	293
Amount due to a director		—	39,000
Tax liabilities		2,127	56,737
Borrowings	20	1,820,414	2,580,184
		<b>1,892,329</b>	<b>2,780,467</b>
<b>Net Current Assets</b>		<b>851,087</b>	<b>484,260</b>
<b>Total Assets less Current Liabilities</b>		<b>1,055,544</b>	<b>709,296</b>
<b>Non-current Liability</b>			
Deferred tax liabilities		177	177
<b>Net Assets</b>		<b>1,055,367</b>	<b>709,119</b>
<b>Capital and Reserves</b>			
Share capital	21	6,415	6,415
Reserves		1,046,553	699,742
Equity attributable to owners of the Company		1,052,968	706,157
Non-controlling interests		2,399	2,962
<b>Total Equity</b>		<b>1,055,367</b>	<b>709,119</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to the owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Shareholders' contribution HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000		
					(Note)				
At 1 January 2019 (Audited)	6,272	218,425	16,755	(223)	190,000	359,630	790,859	1,754	792,613
Loss for the period	—	—	—	—	—	(3,241)	(3,241)	(223)	(3,464)
Other comprehensive expense for the period	—	—	—	(2,332)	—	—	(2,332)	(72)	(2,404)
Loss and total comprehensive expense for the period	—	—	—	(2,332)	—	(3,241)	(5,573)	(295)	(5,868)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	1,726	1,726
Exercise of share options	143	15,032	(4,452)	—	—	—	10,723	—	10,723
Lapse of share options	—	—	(291)	—	—	291	—	—	—
Dividend paid (note 9)	—	—	—	—	—	(99,432)	(99,432)	—	(99,432)
At 30 June 2019 (Unaudited)	6,415	233,457	12,012	(2,555)	190,000	257,248	696,577	3,185	699,762
At 1 January 2020 (Audited)	6,415	233,457	11,968	(1,940)	190,000	266,257	706,157	2,962	709,119
Profit for the period	—	—	—	—	—	350,320	350,320	(449)	349,871
Other comprehensive expense for the period	—	—	—	(2,226)	—	—	(2,226)	(114)	(2,340)
Profit and total comprehensive income for the period	—	—	—	(2,226)	—	350,320	348,094	(563)	347,531
Dividend paid (note 9)	—	—	—	—	—	(1,283)	(1,283)	—	(1,283)
At 30 June 2020 (Unaudited)	6,415	233,457	11,968	(4,166)	190,000	615,294	1,052,968	2,399	1,055,367

Note: On 13 July 2016, Mr. Chan Man Fai Joe and Mr. Lam Kin Kok, being the directors and controlling shareholders of the Company at that time, 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 had been capitalised as shareholders' contribution.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax	352,003	(2,053)
Adjustments for:		
Depreciation of plant and equipment	122	62
Depreciation of right-of-use assets	304	152
Finance costs	7,224	8,092
Gain on disposal of plant and equipment	—	(4)
Interest income earned on bank balances and pledged bank deposits	(327)	(126)
(Gain)/Loss on change in fair value of financial assets at fair value through profit or loss	(50)	1,119
Loss on change in fair value of investment properties	1,340	620
Gain on disposal of a subsidiary	(383,197)	—
<b>Operating cash flows before movements in working capital</b>	<b>(22,581)</b>	<b>7,862</b>
Decrease in loan receivables	22,600	32,992
Increase in properties held for sale	(41,602)	(146,317)
(Increase)/Decrease in trade and other receivables	(110)	545
(Increase)/Decrease in stakeholder's accounts	(38)	19,072
Decrease in trade and other payables	(35,526)	(9,461)
Increase in contract liabilities	768	1,977
<b>Cash used in operations</b>	<b>(76,489)</b>	<b>(93,330)</b>
Income tax paid	(56,742)	(208)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(133,231)</b>	<b>(93,538)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>INVESTING ACTIVITIES</b>		
Increase of pledged bank deposits	(67)	—
Interest received from bank balances and pledged bank deposits	327	126
Purchase of plant and equipment	(96)	(84)
Proceeds from disposal of plant and equipment	—	17
Proceeds from disposal of a subsidiary	589,831	—
Deposit paid for acquisition of a company	—	(9,876)
Proceeds from disposal of investment properties	—	4,800
Purchase of financial assets at fair value through profit or loss	(1,618)	(6,323)
Proceeds from refund of financial assets at fair value through profit or loss	—	24
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>588,377</b>	<b>(11,316)</b>
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(1,283)	(99,432)
Interest paid	(31,511)	(43,132)
Capital contribution from non-controlling interests	—	1,726
Proceeds from exercise of share options	—	10,723
Repayment to a director	(39,000)	—
Borrowings raised	75,684	346,349
Repayment of borrowings	(440,611)	(174,114)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(436,721)</b>	<b>42,120</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18,425</b>	<b>(62,734)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>62,276</b>	<b>121,369</b>
Effect of foreign exchange rate changes	(7,014)	(418)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,</b> represented by bank balances and cash	<b>73,687</b>	<b>58,217</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 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 Accounts ("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 ("Stock Exchange").

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the annual financial statements of Star Properties Group (Cayman Islands) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.

### APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements, except for the early adoption of amendments to HKFRS 16, the Group has not applied any new or revised standard and interpretation that is not yet effective for the current period under review:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16 Conceptual Framework for Financial Reporting (Revised)	COVID-19 Related Rent Concessions (early adopt)

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. SIGNIFICANT EVENTS AND USE OF JUDGEMENTS AND ESTIMATES

### SIGNIFICANT EVENT

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, the Group has applied for Employment Support Scheme introduced by HKSAR Government in response to COVID-19.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 3. SIGNIFICANT EVENTS AND USE OF JUDGEMENTS AND ESTIMATES (Continued)

#### SIGNIFICANT EVENT (Continued)

Included in profit or loss is HK\$302,000 of government grant obtained relating to supporting the payroll of the Company's employees in Hong Kong. The Company has elected to include this wage subsidy in other income, refer to note 5. The Company had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Company does not have any unfulfilled obligations relating to this program.

Properties under development may be influenced by the delay in obtaining the Government approvals, the management will monitor the progress of development and the risks of the mix of properties available for sales and completion.

#### USE OF JUDGEMENT AND ESTIMATES

In preparing this condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2019 annual financial statements.

However, the effects of COVID-19 have required significant judgements and estimates to be made, including:

- (a) Assessing whether the Company has reasonable assurance as to whether it will comply with the conditions attached to government grant; and
- (b) Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period and which do not. For disclosure of non-adjusting events after the reporting period, refer to note 27.

Additionally, while the changes in the following estimates and judgements have not had a material impact on the Group, the effects of COVID-19 have required revisions to:

- (a) Determining the net realisable of properties held for sale that has become slow moving due to the effects of COVID-19;
- (b) Determining the valuation of investment properties that effect of COVID-19 on the transaction price of similar properties in the same locations and conditions;
- (c) Estimates of expected credit losses attributable to trade receivables arising from property management services, lease receivables, loan receivables and loan interest receivables, including the incorporations of forward-looking information to supplement historical credit loss rates; and
- (d) The methodology used to estimate the fair value of equity instruments classified as level 3 in the fair value hierarchy, as their valuation techniques incorporate significant unobservable inputs.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 4. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on sales of properties, leasing of investment properties, provision of property management services, provision of finance and provision of construction and fitting out works.

#### (A) REVENUE FROM SALES OF PROPERTIES AND PROVISION OF PROPERTY MANAGEMENT SERVICES AND PROVISION OF CONSTRUCTION AND FITTING OUT WORKS

##### Disaggregation of revenue from contracts with customers

Segments	Provision of construction and fitting out works Six months ended		Property Development Six months ended		Provision of property management services Six months ended		Total Six months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Sales of properties</b>								
Workshop units in a revitalised industrial building	—	—	—	16,933	—	—	—	16,933
Carparks in a rebuilt Industrial building	—	—	—	4,000	—	—	—	4,000
<b>Provision of property management services</b>								
Property management Services	—	—	—	—	994	1,639	994	1,639
<b>Provision of construction and fitting out works</b>								
Construction and fitting out works	1,444	—	—	—	—	—	1,444	—
	1,444	—	—	20,933	994	1,639	2,438	22,572
<b>Geographical markets</b>								
Hong Kong	1,444	—	—	20,933	994	1,639	2,438	22,572
<b>Timing of revenue recognition</b>								
A point in time	—	—	—	20,933	—	—	—	20,933
Over time	1,444	—	—	—	994	1,639	2,438	1,639
	1,444	—	—	20,933	994	1,639	2,438	22,572

The revenue from contract with customers is disaggregated on the same basis as the reportable segments.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

#### (B) SEGMENT INFORMATION

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 property buyers
5. Provision of construction and fitting out works — provision of construction for the project under development and fitting out works for the owner of the properties.

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

	Segment revenue Six months ended		Segment results Six months ended	
	30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)	30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)
Property development	—	20,933	376,324	6,097
Property investment	648	212	(1,342)	2,448
Provision of property management services	994	1,639	645	1,120
Provision of construction and fitting out works	1,444	—	(262)	—
Provision of finance	3,184	3,596	2,074	1,354
	6,270	26,380	377,439	11,019
Unallocated income			642	96
Unallocated expenses			(25,046)	(12,188)
Finance costs			(1,032)	(980)
Profit/(loss) before tax			352,003	(2,053)

Segment results represent the profit earned or loss incurred by each segment without allocation of certain other income, administrative 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

For the six months ended 30 June 2020

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

#### (B) SEGMENT INFORMATION (Continued)

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

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
<b>Segments assets</b>		
Property development	2,687,224	3,226,249
Property investment	51,116	52,135
Provision of property management services	1,486	1,066
Provision of construction and fitting out works	3,830	—
Provision of finance	165,401	188,078
Total segment assets	2,909,057	3,467,528
Unallocated assets	38,816	22,235
Consolidated total assets	2,947,873	3,489,763
<b>Segments liabilities</b>		
Property development	1,796,134	2,622,199
Property investment	45,020	180
Provision of property management services	337	281
Provision of construction and fitting out works	329	—
Provision of finance	18,493	86,698
Total segment liabilities	1,860,313	2,709,358
Unallocated liabilities	32,193	71,286
Consolidated total liabilities	1,892,506	2,780,644

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss, certain pledged bank deposits, bank balances and cash, and other corporate assets not attributable to the reportable segments; and
- all liabilities are allocated to operating segments other than certain borrowings and other corporate liabilities not attributable to the reportable segments.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 5. OTHER INCOME

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income earned on bank balances and pledged bank deposits	327	126
Temporary rental income from properties held for sales	4,268	2,987
Exchange gains, net	53	—
Government grant from Employment Support Scheme	302	—
Others	19	15
	4,969	3,128

### 6. FINANCE COSTS

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
Borrowings	32,744	44,986
Loan from a director	413	—
Total borrowing costs	33,157	44,986
Less: amount capitalised in cost of qualifying assets	(25,933)	(36,894)
	7,224	8,092

Borrowing costs capitalised at rate ranging from 1.85% to 5.19% (for the six months ended 30 June 2019: 2.97% to 4.17%) per annum during the period arose on the specific borrowings for the expenditure on each property development.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 7. PROFIT/(LOSS) BEFORE TAX

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) before tax has been arrived at after charging/(crediting):		
Directors' emoluments	11,790	2,626
Other staff costs	7,954	4,930
Total staff costs	19,744	7,556
Less: capitalised in properties held for sale	(1,819)	(1,757)
	17,925	5,799
Auditors' remuneration	250	300
Depreciation of plant and equipment	122	62
Depreciation of right-of-use assets	304	152
Property agency commission (included in selling expenses)	49	1,447
Gain on disposal of plant and equipment	—	(4)
Legal and professional fees	4,627	1,280
Gross rental income from investment properties, net of direct operating expenses incurred	(648)	(212)

### 8. INCOME TAX EXPENSE

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax — current period	2,132	1,411
Deferred tax	—	—
	2,132	1,411

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 9. DIVIDEND

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2019: HK0.2 cents per share (For the year ended 31 December 2018: HK15.5 cents per share)	1,283	99,432
Interim dividend for the six months ended 30 June 2020: HK2.0 cents per share (For the six months ended 30 June 2019: Nil)	12,830	—

The interim dividend for the six months ended 30 June 2020 of HK2.0 cents per share (for the six months ended 30 June 2019: Nil) amounting to in HK\$12,830,000 was declared by the Board after the end of reporting period.

### 10. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic and diluted earnings/(losses) per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings/(losses)</b>		
Earnings/(losses) for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	350,320	(3,241)
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(losses) per share	641,498	635,417
Effect of dilutive potential ordinary shares:		
Outstanding share options issued by the Company (Note)	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(losses) per share	641,498	635,417

Note: The computation of diluted earnings per share for the six months ended 30 June 2020 does not assume the exercise of the Company's share options because the average market price of ordinary shares during the period did not exceed the exercise price of the share options. In the prior period, no diluted losses per share was calculated as their assumed exercise would result in a decrease in loss per share.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 11. MOVEMENTS IN PLANT AND EQUIPMENT

During the current period, the Group spent HK\$96,000 (for the six months ended 30 June 2019: HK\$84,000) on plant and equipment and no disposed of plant and equipment (for the six months ended 30 June 2019: disposed of certain office equipment with an aggregate carrying amount of HK\$13,000 for cash proceeds of HK\$17,000 and resulting in a gain on disposal of HK\$4,000).

### 12. INVESTMENT PROPERTIES AND ASSETS CLASSIFIED AS HELD FOR SALE

#### (A) INVESTMENT PROPERTIES

	Carpark Spaces HK\$'000	Industrial Properties HK\$'000	Total HK\$'000
<b>Fair value</b>			
At 1 January 2020	5,000	47,000	52,000
Decrease in fair value	(1,340)	—	(1,340)
Transfer to assets classified as held for sale	(3,660)	—	(3,660)
At 30 June 2020	—	47,000	47,000
At 30 June 2019 (Audited)	5,000	47,000	52,000

During the period, the Group leases out carpark spaces and industrial properties under operating leases with monthly rentals receivables. The leases of carpark spaces typically run for an initial period of 1 month. The leases of industrial properties typically run for an initial period of 5 years. Majority of the lease contracts contain market review clauses in the event both the lessor and the lessee exercises the option to extend. The leases contain minimum annual lease payments that are fixed over the lease term.

The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

All of the Group's property interests held under operating leases to earn rental or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties. All of these investment properties are located in Hong Kong.

The fair value of the investment properties, i.e. industrial properties (31 December 2019: carpark spaces and industrial properties), which are classified as level 3 of the fair value hierarchy at 30 June 2020 (31 December 2019: level 3 of the fair value hierarchy), were arrived at by the assessment performed by reference to market evidence of transaction prices for similar properties in the same locations and conditions.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 12. INVESTMENT PROPERTIES AND ASSETS CLASSIFIED AS HELD FOR SALE

(Continued)

#### (A) INVESTMENT PROPERTIES (Continued)

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

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

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

The Group's investment properties have been pledged to secure bank borrowings granted to the Group. Details are set out in note 20.

#### (B) ASSETS CLASSIFIED AS HELD FOR SALE

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Transfer from investment properties	3,660	—

During the period, the Group has entered into three sales and purchase agreements with independent customers in respect of sales of the carpark spaces have which are expected to be completed in September 2020. These investment properties have been transferred to assets classified as held for sale during the period. Loss on fair value change of approximately HK\$1,340,000 has been recognised in the profit or loss at the date of transfer.

The Group's assets classified as held for sale have been pledged to secure bank borrowings granted to the Group. Details are set out in note 20. The assets pledged by the Group will be released upon the disposal transactions are completed.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 13. LOAN RECEIVABLES

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Variable-rate loan receivables	165,065	187,665
Analysis as:		
— Non-current portion	149,558	164,766
— Current portion	15,507	22,899
Total	165,065	187,665

Notes:

As at 30 June 2020, the balance included:

- (i) loan receivable amounting to HK\$137,000 (31 December 2019: HK\$186,000), which is secured by the property unit of a borrower, interest bearing at Hong Kong prime rate quoted by the lending bank plus 2% per annum. The principal amount started to be repaid in November 2016 in accordance with the repayment schedules;
- (ii) loan receivables amounting to HK\$7,350,000 (31 December 2019: HK\$7,350,000), which are secured by the property units of a borrower, interest bearing at Hong Kong prime rate quoted by the lending bank. The principal amounts will be fully repaid at the respective maturity dates;
- (iii) loan receivable amounting to HK\$147,783,000 (31 December 2019: HK\$170,334,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong prime rate quoted by the lending bank minus 1.75% per annum. The principal amounts will be repaid in accordance with the repayment schedules; and
- (iv) loan receivable amounting to HK\$9,795,000 (31 December 2019: HK\$9,795,000), which is secured by the property unit of a borrower and interest bearing at Hong Kong prime rate quoted by the lending bank minus 2% per annum. The principal amount started to be repaid in September 2029 in accordance with the repayment schedules.

Loans are provided to borrowers at a range of 60% to 80% (31 December 2019: 60% to 80%) 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 at both 30 June 2020 and 31 December 2019.

As at 30 June 2020 and 31 December 2019, all the loan receivables are neither past due nor impaired.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 13. LOAN RECEIVABLES (Continued)

The exposure of the Group's variable rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Variable-rate loan receivables:		
Within one year	15,507	22,899
In more than one year but not more than two years	21,931	41,533
In more than two years but not more than five years	127,627	123,233
	165,065	187,665

The range of effective interest rates on the Group's loan receivables are as follows:

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Effective interest rate		
— Variable-rate loan receivables	3.25% to 7.125%	3.5% to 7.125%

Before accepting any new borrower, the management would assess the potential borrower's credit quality and determine credit limit of the potential borrower. Certain well established credit policies (e.g. reviewing properties buyer's individual credit report) are used in assessing the credit quality, which mainly include understanding the background of the potential borrower and obtaining collaterals from the borrower. Loan interest rates can be varied among potential borrowers. It is determined on a case-by-case basis depending on the result of credit quality assessment and quality of collaterals provided by the respective borrowers.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Equity securities listed in Hong Kong	(a)	2,169	460
Unlisted investment fund	(b)	4,559	4,600
Unlisted participation note	(c)	1,519	1,519
Total		8,247	6,579
<b>Classified as:</b>			
Financial assets at fair value through profit or loss:			
— Non-current		6,078	6,119
— Current		2,169	460
		8,247	6,579

Notes:

- (a) The fair value measurement of such investments are classified as level 1 fair value measurement which are based on the quoted price from active markets. For the six months ended 30 June 2020, the Group has recognised a fair value gain of HK\$91,000 (for the six months ended 30 June 2019: fair value loss of HK\$953,000) in respect of the change in fair value in the profit or loss.
- (b) In May 2018, the Group subscribed an unlisted private equity fund at cost of HK\$5,000,000, representing 10% of the total fund size. The Group has recognised a fair value loss of HK\$41,000 (for the six months ended 30 June 2019: fair value loss of HK\$166,000) in respect of the changes in fair value in the profit or loss. The fair value of this unlisted fund investment was measured using valuation technique with significant unobservable inputs and hence was classified as level 3 of the fair value hierarchy.
- (c) As at 30 June 2020, the unlisted participation note is at a fair value of HK\$1,519,000 (31 December 2019: HK\$1,519,000). No change in fair value has been recognised in the profit or loss (for the six months ended 30 June 2019: nil). The fair value of this unlisted participation note was measured using valuation technique with significant unobservable inputs and hence was classified as level 3 of the fair value hierarchy.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 15. PROPERTIES HELD FOR SALE

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
The Group's carrying amounts of properties held for sales, stated at cost, comprise:		
— Properties under development	2,152,607	2,684,971
— Completed properties	469,539	468,089
	2,622,146	3,153,060
Properties to be realised after one year	2,152,607	2,104,259

The properties under development are situated in Hong Kong and Korea.

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

The Group's properties held for sale with an aggregate amount of approximately HK\$2,619,983,000 (31 December 2019: HK\$3,150,880,000) have been pledged to secure bank borrowings granted to the Group with details set out in note 20.

All of the above properties held for sale are to be sold within the normal operating cycle of the Group thus they are classified as current assets.

The leasehold land and building elements cannot be allocated in proportion to the relative carrying amounts and the entire properties are classified as properties held for sale.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 16. TRADE AND OTHER RECEIVABLES

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Trade receivables	1,348	984
Lease receivables	2,222	1,560
	<b>3,570</b>	<b>2,544</b>
Deposits and other receivables, and prepayments		
— Loan receivable ( <i>note 13</i> )	15,507	22,899
— Loan interest receivables	228	300
— Rental deposits and other receivables	2,463	5,441
— Prepayments	3,558	1,424
	<b>21,756</b>	<b>30,064</b>
	<b>25,326</b>	<b>32,608</b>

No credit term is allowed for trade receivables and lease receivables.

The following is an aged analysis of trade receivables and lease receivables, net of allowance for credit losses, presented based on the invoice dates.

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
0–30 days	2,052	1,374
31–90 days	383	501
91–180 days	382	318
181–365 days	396	92
Over 365 days	357	259
	<b>3,570</b>	<b>2,544</b>

All of the Group's trade receivables and lease receivables were past due at the end of both reporting periods. The Groups hold security deposits as collaterals over the lease receivables. Based on the Group's assessment on expected credit loss, no additional allowance for credit losses is recognised for trade and other receivables during the current period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 17. STAKEHOLDER'S ACCOUNTS/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The amounts comprise a stakeholder's accounts which are held by an independent intermediary for collecting sales receipts on the Group's behalf or retention payment for construction projects. The amounts are interest bearing at prevailing market interest rate of 0.7% to 1.67% per annum (31 December 2019: 0.001% to 1.65% per annum).

Pledged bank deposits represent bank deposits pledged to a bank for securing banking facilities granted to the Group set out in note 20.

The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interests at prevailing market interest rates.

### 18. TRADE AND OTHER PAYABLES

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Retention payables (Note)	15,913	17,721
Other payables, deposits received and accruals		
— Rental deposits received	8,886	8,379
— Accrued auditors' remuneration	884	1,130
— Accrued construction costs	34,282	53,157
— Accrued bonus	—	4,096
— Accrued agency commission	126	1,435
— Accrued management fees	2,890	2,002
— Accrued legal and professional fees	2,543	8,515
— Interest payables	1,242	6,659
— Others	1,961	1,159
	68,727	104,253

Note: As at 30 June 2020, retention payables amounting to HK\$7,222,000 (31 December 2019: HK\$7,366,000) was aged within one year while the remaining amount of HK\$8,691,000 (31 December 2019: HK\$10,355,000) was aged one to two years. All retention payables as at 30 June 2020 and 31 December 2019 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 19. CONTRACT LIABILITIES

During the six months ended 30 June 2020, the Group has recognised revenue of HK\$293,000 (for the six months period ended 30 June 2019: HK\$531,000) that was included in the contract liabilities at the beginning of the period.

The Group receives 15% to 20% of the contract value as deposits from customers when they sign the sale and purchase agreement for sale of properties. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

### 20. BORROWINGS

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Bank borrowings	1,820,414	2,580,184
Scheduled payment terms of borrowings contain a repayment on demand clause (shown under current liabilities):		
— Within one year	1,393,585	2,146,561
— In more than one year but not more than two years	369,017	75,550
— In more than two years but not more than five years	6,566	307,638
— More than five years	51,246	50,435
Total	1,820,414	2,580,184

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 20. BORROWINGS (Continued)

The exposure of the Group's borrowings and the contractual maturity dates (or reset dates) are as follows:

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Variable-rate borrowings:		
Within one year	1,283,977	2,032,278
In more than one year but not more than two years	369,017	75,550
In more than two years but not more than five years	6,566	307,638
More than five years	51,246	50,435
Fixed-rate borrowings:		
Within one year	1,710,806	2,465,901
	109,608	114,283
	1,820,414	2,580,184

The Group's variable-rate borrowings carrying interest at Hong Kong Interbank Offered Rate ("HIBOR").

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	30.6.2020 (Unaudited)	31.12.2019 (Audited)
Effective interest rates:		
— Fixed-rate borrowings	3.5%	3.5%
— Variable-rate borrowings	2.25% to 4.65%	2.25% to 4.6%

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 20. BORROWINGS (Continued)

Bank borrowings are secured by the following assets of the Group:

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Properties held for sale		
— Under development for sale, at cost	2,152,608	2,684,971
— Completed, at cost	467,375	465,909
	2,619,983	3,150,880
Investment properties		
— Carpark spaces, at fair value (Note)	3,660	5,000
— Industrial properties, at fair value	47,000	47,000
	50,660	52,000
Pledged bank deposits	10,324	10,257
Total	2,680,967	3,213,137

Note: Classified as assets classified as held for sale as at 30 June 2020 as detail in note 12(b)

Certain banking facilities of the Group are subject to the fulfillment of covenants relating to certain financial ratios of the Group, total equity and the amount of capital expenditure incurred. If the Group breaches the covenants, the drawn down facilities will become repayable on demand. The Group regularly monitors its compliance with these covenants.

As at 30 June 2020 and 31 December 2019, none of the bank covenants relating to drawn down facilities had been breached. The directors of the Company consider there is no material impact in regard of the outbreak of a novel coronavirus to the Group's bank borrowings.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 21. SHARE CAPITAL

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

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	1,000,000,000	10,000
<b>Issued and fully paid:</b>		
At 1 January 2019	627,200,000	6,272
Exercise of share options	14,298,000	143
At 30 June 2019, 1 January 2020 and 30 June 2020	641,498,000	6,415

The new shares rank pari passu with the existing shares in all respects.

### 22. SHARE-BASED PAYMENT 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, full-time employees of any member of the Group and other eligible participants who have contributed or will contribute to the Group (the "Participants") with the opportunity to acquire proprietary interests in the Company and to encourage the 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, "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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 22. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The maximum number of share 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.

There was no share option being granted during the period.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercisable period	Exercise price
Directors	18 October 2018	Nil	18 October 2018 to 17 October 2028	HK\$0.75
Employees	18 October 2018	Nil	18 October 2018 to 17 October 2028	HK\$0.75

The following table discloses movements of the Company's number of share options granted to certain directors, employees and other eligible participant during the current period:

Option type	Number of share options			
	Outstanding at 1 January 2020	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2020
Directors	20,963,200	—	—	20,963,200
Employees	4,607,088	—	—	4,607,088
	25,570,288	—	—	25,570,288

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 22. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The number and weighted average exercise prices of shares options are as follows:

	Weighted average exercise price HK\$	Number of share options
Outstanding at 1 January 2020 & 30 June 2020	0.93	25,570,288
Exercisable at 30 June 2020	0.93	25,570,288

For share options outstanding at the end of the reporting period, the range of exercise prices is HK\$0.75 to HK\$0.98 (31 December 2019: HK\$0.75 to HK\$0.98) and weighted average remaining contractual life is 6.5 years (31 December 2019: 7 years).

### 23. DISPOSAL OF A SUBSIDIARY

On 9 January 2020, the Group disposed of 100% equity interest on Rainbow Red Holdings Limited and its loan to an independent third party for a consideration of HK\$980,000,000. The company being disposed was principally engaged in property development in Hong Kong. The transaction was completed during the period. A gain on disposal of a subsidiary of HK\$383,197,000 has been recognised to profit or loss during the current period.

The net assets at the date of disposal were as follows:

	HK\$'000
Properties held for sale	596,438
Utility deposits	37
Shareholder's loan	(600,247)
Net assets	(3,772)
Net asset value of subsidiaries disposed of	(3,772)
Less: Shareholder's loan	600,247
Professional fee directly attributable to the transaction	328
Gain on disposal of subsidiary included in profit for the period	383,197
Total consideration	980,000
Satisfied by:	
Cash	980,000

Upon completion of disposal, the net cash inflow in this transaction is approximately HK\$589,831,000, net of external bank borrowings of approximately HK\$390,169,000 and cash consideration of HK\$980,000,000. A gain on disposal of subsidiaries of approximately HK\$383,197,000 was recognised.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 24. COMMITMENTS

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Capital expenditure in respect of the properties development project contractual for but not provided in the condensed consolidated financial statements	258,870	99,013

### 25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group's investment properties and financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Details of recurring fair value measurement of these assets are set out in notes 12 and 14, respectively. During the six months ended 30 June 2020, there were no transfers between level 1 and 2, nor transfers into and out of level 3.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial statements approximate their fair values.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 26. RELATED PARTY DISCLOSURES

#### (I) TRANSACTIONS

Other than disclosed elsewhere, the Group had the following transactions with related parties during the period:

Name of related parties	Nature of transaction	Six months ended	
		30.6.2020	30.6.2019
Mr. Chan Man Fai Joe (director)	Finance cost (Note (a))	413	—
	Rental expenses (Note (b))	600	—
Mr. Lui Hon Wai (director)	Sales commission (Note (c))	—	119
Lala Eat Company Limited ("Lala Eat")	Entertainment expense (Note (d))	—	3
Vogue City Limited ("Vogue City")	Expenses related to short-term lease for a motor vehicle (Note (e))	30	30
Vogue Town Limited ("Vogue Town")	Expenses related to short-term lease for a director's quarter (Note (f))	—	990
Metropolitan Fine Wine Limited ("Metropolitan Wine")	Entertainment expense (Note (d))	56	12
	Service income (Note (i))	(6)	—
Metropolitan Workshop Limited ("Metropolitan Workshop")	Expenses related to short-term leases (Note (g))	1	100
	Service income (Note (i))	(112)	—
Metro Yoga & Dance Limited ("Metro Yoga & Dance")	Rental income (Note (h))	(11)	(718)
Metropolitan Kitchen Limited ("Metropolitan Kitchen")	Entertainment expense (Note (d))	5	9
M&M Kitchen Limited ("M&M Kitchen")	Entertainment expense (Note (d))	2	24
Grand Silver (Hong Kong) Limited ("Grand Silver")	Service income (Note (i))	(53)	—
Metropolitan Apartments Limited ("Metropolitan Apartment")	Service income (Note (i))	(29)	—
Metropolitan Wine Cellar Limited ("Metropolitan Wine Cellar")	Service income (Note (i))	(73)	—
Metropolitan Storage Limited ("Metropolitan Storage")	Service income (Note (i))	(68)	—
Sunny Generation Limited ("Sunny Generation")	Service income (Note (i))	(9)	—

## 26. RELATED PARTY DISCLOSURES (Continued)

### (I) TRANSACTIONS (Continued)

Notes:

- (a) *The loan from a director carried interest at 4.5% per annum for the six months ended 30 June 2019. The loan amounting to HK\$39,000,000 was repaid to the director during the six months ended 30 June 2019.*
- (b) *The rental expenses reimbursed to a director of Mr. Chan Man Fai Joe for leasing a director quarter for Mr. Chan Man Fai Joe.*
- (c) *The sales commission is determined based on the agreed terms as set out in the letter of employment.*
- (d) *Entertainment expense represented providing of wines and catering services from Lala Eat, Metropolitan Wine, Metropolitan Kitchen and M&M Kitchen at a price agreed by both parties.*
- (e) *Expenses related to short-term lease for a motor vehicle represented the leasing of a motor vehicle from Vogue City at a price agreed by both parties.*
- (f) *Expenses related to short-term lease for a director's quarter represented the leasing of a director's quarter for Mr. Chan Man Fai Joe from Vogue Town at a price agreed by both parties.*
- (g) *Rental expenses charged by Metropolitan Workshop were based on office area occupied by the Group and at a rent agreed by both parties.*
- (h) *Rental income received from Metro Yoga & Dance represented the leasing of a workshop unit from the Group at a price agreed by both parties.*
- (i) *Service income represented providing of fitting out works to Grand Silver, Metropolitan Apartment, Metropolitan Workshop, Metropolitan Wine Cellar, Metropolitan Storage and Sunny Generation at a price agreed by both parties.*

A director, who is also the controlling shareholders, of the Company has significant influence over the above related companies.

### (II) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The directors of the Company are identified as key management members of the Group. Their emoluments are disclosed in note 7.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 27. EVENT AFTER REPORTING PERIOD

- (a) On 21 July 2020, the Group made an announcement in relation to a very substantial acquisition of Metropolitan Group (BVI) Limited and its subsidiaries which is principally engaged in serviced apartment business, wine cellar and fine wine business, storage and workshop and production and other investment holding service, from a controlling shareholder of the Company, for a consideration of HK\$460,000,000. Initial deposits of HK\$42,000,000 were paid to the vendor on 21 July 2020 and the remaining consideration of HK\$418,000,000 will be settled through issuing a convertible bond to the vendor upon completion. The transaction has not yet been completed up to date of the report.
- (b) Since January 2020, the outbreak of COVID-19 has impact on the business environment in Hong Kong. Up to the date of this report, COVID-19 has not resulted in material impact to operating activities or financial performance and financial position of the Group. The property development business, property investment business, property management services and financing services are operating normally during the pandemic. However, as COVID-19 continue to evolve, depending on the subsequent development and spread of COVID-19, it may have significant impact to the Group. Given the dynamic nature of these circumstances, the director of the Company will continue to closely monitor the situation and continue to assess and react actively to the impact of COVID-19 outbreak on the Group's operations, financial position and financial performance accordingly. The related impact on the Group's consolidated results of operations, cash flows and financial conditions will be reflected in the Group's 2020 annual financial statements.