STAR PROPERTIES GROUP
(CAYMAN ISLANDS) LIMITED

星星地產集團(開曼群島)有限公司

STOCK CODE: 1560

ANNUAL REPORT
2020

CONTENTS

CORPORATE INFORMATION

REGISTERED OFFICE

Windward 3, Regatta Office Park,
PO Box 1350, Grand Cayman KY1-1108, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F, TG Place,
No.10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong

COMPANY WEBSITE

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. Shiu Siu Tao (蕭少滔) *(Resigned on 24 January 2020)*
Mr. Lee Chung Ming Eric (李仲明)
Ms. Chan Wah Man Carman (陳華敏)
Dr. Wong Wai Kong (黃偉桄) *(Appointed on 24 January 2020)*

COMPANY SECRETARY

Ms. Cheung Wai Shuen (HKICS)

AUDIT COMMITTEE

Ms. Chan Wah Man Carman *(Chairman)*
Mr. Lee Chung Ming Eric
Mr. Shiu Siu Tao *(Resigned on 24 January 2020)*
Dr. Wong Wai Kong *(Appointed on 24 January 2020)*

NOMINATION COMMITTEE

Mr. Chan Man Fai Joe *(Chairman)*
Mr. Yim Kwok Man
(Stepped down on 24 January 2020)
Mr. Shiu Siu Tao *(Resigned on 24 January 2020)*
Mr. Lee Chung Ming Eric
Dr. Wong Wai Kong *(Appointed on 24 January 2020)*

REMUNERATION COMMITTEE

Ms. Chan Wah Man Carman *(Chairman)*
(Re-designated from member to chairman on 24 January 2020)
Mr. Shiu Siu Tao *(Chairman)*
(Resigned on 24 January 2020)
Mr. Chan Man Fai Joe
Dr. Wong Wai Kong *(Appointed on 24 January 2020)*

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 *(Chairman)*
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

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

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

Hang Seng Bank
83 Des Voeux Road, Central Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park, 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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Star Properties Group (Cayman Islands) Limited (the "**Company**", together with the subsidiaries, the "**Group**"), I am pleased to present the annual report of the Company for the year ended 31 December 2020.

For the year ended 31 December 2020, the Group's revenue amounted to approximately HK$105.8 million and the profit attributable to owners of the Company was approximately HK$306.9 million. The basic and diluted earnings per share was approximately HK47.85 cents and HK37.73 cents respectively.

The highlight in 2020 is obviously the COVID-19 Pandemic. It has hit the world economy hard. With different social distance precaution restrictions, many retail businesses were heavily affected. The Company disposed of one of the commercial property projects, the CWK project, in view of the global economic uncertainty. It generated approximately HK$380 million profit before tax to the Group.

During the year of 2020, the Board has completed a very substantial acquisition and acquired a lifestyle brand "Metropolitan Group which offers a range of living style services including wine cellar, wine trading, furnished apartment, storage and co-working space together with some investment properties owned by the Metropolitan Group. It is expected that the operating businesses can provide a stable cash flow to even out the fluctuation in revenue between different development projects. Above all, the Board believes that combining development projects with provision of lifestyle services is a global trend. People are not only looking for an office space or a living space, they also expect the place to be convenient, energetic and relaxing. The Board believes that operating the lifestyle business at our properties can create synergy to our existing development business and thus enhance the value of the properties.

Besides development projects in Hong Kong, our development projects in South Korea are also running smoothly. With trendy and stylish design, the properties are expected to be a landmark in the Seungsu area in Seoul. Going forward, we will continue to look for opportunities in the market and adjust our business strategy from time to time to suit the market environment.

In year 2021, we are cautiously optimistic on the property market in Hong Kong. To differentiate ourselves from other property developers in the market, we will strive to provide the best value products with the best services that exceed customers' expectation.

Lastly, I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their continuous support and trust, and thank my fellow directors for their concerted effort and insights throughout the years. I also like to extend my sincere gratitude to the management team and all other colleagues for their unwavering commitment to the Group's business.

Chan Man Fai Joe
Chairman

31 March 2021

FINANCIAL RESULT

For the financial year ended 31 December 2020, the Group's revenue and profit attributable to owners of the Company amounted to approximately HK$105.8 million (2019 (restated): approximately HK$174.4 million) and approximately HK$306.9 million (2019 (restated): approximately HK$23.7 million) respectively.

FINAL DIVIDENDS

The board of directors (the "**Director(s)**") of the Company (the "**Board**") does not recommend the payment of final dividend for the year ended 31 December 2020 (For the year ended 31 December 2019: HK0.2 cents per share). During the year, 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).

BUSINESS REVIEW

On 22 October 2020, the Company has completed a very substantial acquisition to acquire an established brand, namely, "Metropolitan" brand together with its underlying investment properties and business ("**VSA**"). After the completion of VSA, the Company is principally engaged in property development and property investment for sale, rental or capital appreciation, provision of property management and security services; provision of finance; wine business which includes operation of wine cellar and trading of fine wine; and provision of media production services. The Company has begun its construction and fitting out works business during the year. The various lifestyle business is operating under the "Metropolitan" brand name.

The Group's revenue for the year ended 31 December 2020 amounted to approximately HK$105.8 million (2019 (restated): approximately HK$174.4 million), which represented a decrease of approximately HK$68.6 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2020 was approximately HK$306.9 million (2019 (restated): approximately HK$23.7 million), which represented an increase of approximately HK$283.2 million from last year. The decrease in revenue was mainly due to decrease of the completion and delivery of sold units and the increase in profit attributable to owners of the Company was mainly due to the disposal of the entire equity interest of Rainbow Red Holdings Limited (the "**Disposal**") during the year. Please refer to the circular dated 28 May 2020 for details of the Disposal. The basic and diluted earnings per share for the year was approximately HK47.85 cents and HK37.73 cents, respectively, as compared to the restated basic and diluted earnings per share of approximately HK3.71 cents and HK3.71 cents, respectively, for the corresponding period last year. The review of the individual business segment of the Group is set out below.

PROPERTY DEVELOPMENT

Revenue recognised in this business segment during the year amounted to approximately HK$38.5 million (2019 (restated): approximately HK$109.8 million). As at 31 December 2020, the Group had three completed projects, namely, (a) The Galaxy; (b) The Star and (c) The Rainbow; and five major projects under development, namely, (d) Yuen Long site; (e) The Cloud (formerly known as Tack Lee Project); (f) Kwun Tong Site Project; (g) Corner 50 Project (formerly known as Seongsu Project) and (h) Corner 19 Project (formerly know a Sausage Project). A general summary and update of the property development projects of the Group during the reporting year and as at 31 December 2020 are listed below:

(a) The Galaxy: Completion and delivery of last unit amounted to approximately HK$4.2 million in the year ended 31 December 2020. (2019: Completion and delivery of 2 motorcycle car parking spaces amounted to approximately HK$0.8 million which were classified as investment properties in prior years). All units of the Galaxy have been sold out and delivered.

(b) The Star: Sale of last 3 car parking spaces, which were classified as investment properties of the Group in prior years, amounted to approximately HK$3.7 million in the year ended 31 December 2020. (2019: approximately HK$24.3 million for the completion and delivery of 2 workshops and 4 car parking spaces). All units of The Star have been sold out and delivered.

(c) The Rainbow: The Group has entered into several tenancy agreements to rent out the unsold commercial units in order to generate a current yield from the properties. During the year ended 31 December 2020, the revenue generated under completion and delivery of 3 units amounted to approximately HK$34.3 million (2019: approximately HK$85.5 million for completion and delivery of 7 units); and the revenue generated through the temporary rental income of properties held for sale recognized was amounted to approximately HK$9.8 million (2019: approximately HK$5.3 million from the temporary rental income of properties held for sale).

(d) 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 families 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 to reach an agreement with Lands Department on this assessment of the land premium in relation to such lease modification around the third quarter of 2021. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

(e) 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 (about 20%) and all demolition work has been completed in the first quarter of 2020. The pre-sales of the building began in 4th quarter of 2020. The completion and revenue recognition is expected to be achieved at the end of 2021.

(f) 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.

(g) Corner 50 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 demolition work was completed in 2nd quarter of 2020 and 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) Corner 19 Project: The site is located at the same area of Corner 50 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 process is expected to be completed in 4th quarter of 2021. Together with Corner 50 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 interim report 2020 and Business Review section of this annual report, 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, was completed. A gain on the Disposal of approximately HK$383.2 million was recognized for the year ended 31 December 2020.

In view of the impact of COVID-19 to the global and local economy in 2020, the Group has taken a more conservative approach to monitor the market condition and has focused on planning and development of the existing projects. The Group will continue to pay ongoing attention to the latest property market in Hong Kong and worldwide to ensure the Group would be able to capture the best development opportunities.

PROPERTY INVESTMENT

The Group is engaging in property investment for sale, rental or capital appreciation. Partially of the rental of business is carrying out through provision of serviced apartment; co-working space and storage under the "Metropolitan" brand.

Revenue recognised in this business segment during the year amounted to approximately HK$38.7 million (2019 (restated): approximately HK$39.3 million), representing an decrease of approximately HK$0.6 million over last year. Below are the breakdown of revenue on the property investment business under serviced apartment, storage and workshop:

METROPOLITAN APARTMENT

Metropolitan Apartment is principally engaged in the business of operation of serviced apartments in Hong Kong which provided fully furnished suites with flexible monthly renewal terms. The target customers of Metropolitan Apartment are short-term overseas employees, local residents and college students. Revenue recognised in this business during the year amounted to approximately HK$3.1 million (2019 (restated): approximately HK$4.9 million), which represented a decrease of approximately HK$1.8 million compared with last year.

METROPOLITAN STORAGE AND WORKSHOP

Metropolitan Workshop is principally engaged in the business of provision of 24-hour co-working spaces ranging from private rooms/shared offices, dedicated desks, hot desks, and virtual offices to memberships in multi-location, providing flexible price plans and all equipped workspace perfect for freelancers, entrepreneurs, smaller companies and corporates. Metropolitan Storage is principally engaged in the business of provision and operation of 24-hour storage service to the public in Hong Kong. Revenue recognised in this business during the year amounted to approximately HK$32.4 million (2019 (restated): approximately HK$33.1 million), which represented a decrease of approximately HK$0.7 million compared with last year.

After VSA, the Group has increased its investment properties portfolio. As at 31 December 2020, the total carrying value of the Group's portfolio of investment properties, amounted to approximately HK$1,050.7 million (2019 (restated): HK$1,105.4 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong and Korea of HK$1,008.0 million (2019 (restated): HK$1,049.1 million); and right-of-use assets ("**ROU**") that meet the definition of investment properties of HK$42.7 million (2019 (restated): HK$56.3 million).

Among all of the investment properties, the total carrying value categorized under Property Investment segment, amounted to approximately HK$1,014.9 million (2019 (restated): HK$1,068.1 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong and Korea of HK$972.4 million (2019 (restated): HK$1,012.6 million); and ROU that meet the definition of investment properties of HK$42.5 million (2019 (restated): HK$55.5 million). The remaining investment properties were categorized under Wine Business segment.

The Group will also consider if there is any purchase opportunity for investment property or if any of the development properties have appreciation potential to be converted as investment properties, which allow more stable rental income to be generated.

PROVISION OF PROPERTY MANAGEMENT AND SECURITY SERVICE

The Group is providing the property management services for our three completed projects The Galaxy, The Star, The Rainbow; and a residential building located at Happy Valley. During the year of 2020, the Group has successfully obtained the security company license and taken over the provision of security services of all of the properties which the Group is providing property management services. Revenue recognised in this business segment during the year amounted to approximately HK$3.5 million (2019: approximately HK$2.6 million), the Group believes that the provision of all-rounded high quality property management and security services could help to enhance our brand recognition. The increase of upcoming completed projects and provision of services to other property owners or developers are expected to expand this business segment and help the Group to generate stable income in long run.

PROVISION OF FINANCE

The Group is operating in this business segment by providing credit facilities to individuals and corporations clients for its own development projects. Revenue generated from this business segment during this year amounted to approximately HK$6.1 million (2019: HK$7.0 million), representing a decrease of approximately HK$0.9 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 the clients of the development projects.

CONSTRUCTION AND FITTING OUT WORKS

In order to enhance synergy with other business segments, the Group decides to provide construction services for its own projects and fitting out works for the owners of the properties which are managing by the Group. The Group has successfully registered as a Registered General Building Contractor in 2nd half of 2020. Revenue generated from this business segment during this year amounted to approximately HK$3.1 million (2019: HK$Nil), the Group expects this business segment will decrease the overall construction cost and increase the quality control of the development projects.

WINE BUSINESS

The Group has engaged in leasing of wine cellar and trading of fine wine business through Metropolitan Wine Cellar and Metropolitan Fine Wine.

Metropolitan Wine Cellar is principally engaged in the business of provision of professional fine wine storage services and Metropolitan Fine Wine is principally engaged in wine trading which mainly targets local Hong Kong residents and offers products delivery. Revenue recognised in this business segment during the year amounted to approximately HK$14.6 million (2019 (restated): approximately HK$14.4 million), which represented an increase of approximately HK$0.2 million compared with last year.

The total carrying value of the Group's portfolio of investment properties categorized under Wine Business segment, amounted to approximately HK$35.8 million (2019 (restated): HK$37.3 million), which comprised a unit in industrial building located Hong Kong of HK$35.6 million (2019 (restated): HK$36.5 million); and ROU that meet the definition of investment properties of HK$0.2 million (2019 (restated): HK$0.8 million).

MEDIA PRODUCTION SERVICES

Metropolitan Production is principally engaged in the business of provision of marketing solution and consultancy services, film or advertisement production, organization of local and overseas events and music concerts and artist management. Revenue recognized in this business segment during the year amounted to approximately HK$1.4 million (2019 (restated): approximately HK$1.3 million), which is a slight increase compared to last year.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 31 December 2020 was approximately HK$1,413.7 million (31 December 2019 (restated): approximately HK$951.9 million). As at 31 December 2020, the Group maintained bank balances and cash of approximately HK$55.5 million (31 December 2019 (restated): approximately HK$87.8 million). The Group's net current assets of approximately HK$385.1 million as at 31 December 2020 (31 December 2019 (restated): approximately HK$238.4 million net current liabilities). The Group had current assets of approximately HK$2,942.2 million as at 31 December 2020 (31 December 2019 (restated): approximately HK$3,319.6 million). The decrease of current assets was mainly due to the Disposal. The Group had current liabilities of approximately HK$2,557.1 million as at 31 December 2020 (31 December 2019 (restated): approximately HK$3,558.0 million). The decrease of current liabilities was mainly due to decrease in bank borrowings. The Group's level of borrowings is disclosed hereafter under note 28 of the notes to the consolidated financial statements of this annual report.

The Group generally finances its operations with internally generated cash flow, convertible bonds and bank borrowings. As at 31 December 2020, the Group had convertible bonds with liability portion of HK$75.8 million (31 December 2019: HK$ Nil); and outstanding bank borrowings of approximately HK$2,320.5 million (31 December 2019 (restated): approximately HK$3,120.2 million). The bank borrowings as at 31 December 2020 were secured by the Group's properties, pledged bank deposits and 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 327.8% as at 31 December 2019 to approximately 164.1% as at 31 December 2020 and decreased from approximately 318.6% as at 31 December 2019 to approximately 160.2% as at 31 December 2020 respectively due to the decrease in bank borrowings.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) decreased from approximately 65.8% as at 31 December 2019 to approximately 54.8% as at 31 December 2020 due to decrease in bank borrowings.

The Group's capital commitment as at 31 December 2020 amounted to approximately HK$419.1 million (31 December 2019 (restated): approximately HK$258.9 million). The increase of capital commitment was mainly due to the construction contracts of the development project of The Cloud and Yuen Long Site Project.

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.

CONVERTIBLE BONDS

On 21 July 2020, the Company (as purchaser) and Metropolitan Lifestyle (BVI) Limited (as vendor) entered into the Acquisition Agreement to acquire the Sale Share and Sale Loan of Metropolitan Group (BVI) Limited (as defined in the circular of the Company dated 15 September 2020) at an aggregate consideration of HK$460,000,000, which will be satisfied by (i) part payment in cash; and (ii) allotment and issue of the convertible bonds (the "**Convertible Bonds**"). Completion of the VSA has taken place on 22 October 2020 and the Convertible Bonds which bear a coupon rate of 3% per annum, in the principal amount of HK$418,000,000 have been issued to Metropolitan Lifestyle (BVI) Limited. For details, please refer to the announcements of the Company dated 21 July 2020, 30 September 2020 and the circular of the Company dated 14 September 2020.

FOREIGN EXCHANGE

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 development sites and an investment property in South Korea and the foreign currency denomination of commercial transactions, assets and liabilities, and net investments foreign operations are mainly in US dollars and Korean won.

As at 31 December 2020, offshore bank borrowings were approximately Korean Won 22 billion, which is approximately HK$155.8 million (31 December 2019 (restated): approximately Korean Won 22 billion, which is approximately HK$151.6 million), as land loan, construction loan and project loan for the development projects in South Korea. The offshore borrowings are expected to be repaid after the completion and disposal of South Korea Projects. The interest rates of these bank borrowings ranged from 3.37% to 5% as at 31 December 2020 (31 December 2019 (restated): 3.5%).

The Group is not subject to any significant foreign currency risk as the revenue, expenses and borrowings of the Group's foreign operating subsidiaries are denominated in the functional currencies of those operations. Foreign currency funding and deposit exposure are monitored on a continuous basis. Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency. The management of the Group is of the opinion that the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the reporting period. Therefore, the Group does not engage in any hedging activities.

PLEDGE OF ASSETS

As at 31 December 2020, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK$941.9 million and HK$2,733.8 million as well as HK$10.4 million respectively (31 December 2019 (restated): approximately HK$914.3 million and HK$3,153.1 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 disclosed in the announcement dated 11 December 2020, after the grant of share options on 23 November 2020, the Group has been advised that the grant of share options, in aggregate, would result in the total number of shares which may be issued upon exercise of all share options granted under the share option scheme, in aggregate, to exceed 10% of the share in issue as at the date of listing of the shares, which was prohibited under Note 1 to Rule 17.03(3) of the Listing Rules and the rules of the share option scheme. The Group has taken immediate remedy action to cancel the share options which were granted exceed the scheme mandate limit of the share option scheme.

Save as disclosed, 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.

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

On 31 December 2019, Inventive Rainbow Limited (an indirect wholly-owned subsidiary of the Company, as the Vendor) and the Company (as the guarantor) entered into the Agreement with an independent third party (as the Purchaser), pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the entire equity interest of Rainbow Red Holdings Limited at the price of HK$980,000,000. Please refer to the circular dated 28 May 2020 for details of this very substantial disposal.

On 22 October 2020, the Group has acquired 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 holdings, from a controlling shareholder of the Company, for a consideration of HK$460,000,000. Please refer to the circular dated 15 September 2020 for details of this very substantial acquisition.

On 3 March 2021 (after trading hours), Ritzy Soar Limited, an indirect wholly owned subsidiary of the Company, as the vendor, entered into a provisional agreement with an independent third party, as the purchaser, pursuant to which (1) the vendor has agreed to sell and assign, and the purchaser has agreed to purchase and take up an assignment of, the entire equity interest of Palico Development Limited; or (2) if a property procurement option has been exercised (as defined in the provisional agreement and disclosed in the announcement of the Company dated 3 March 2021), the vendor has agreed to procure Palico Development Limited to sell, and the purchaser has agreed to purchase, the property held by Palico Development Limited, at the purchase price of HK$51,750,000 (subject to adjustment). Further details of the aforesaid transaction were disclosed in the announcement of the Company dated 3 March 2021.

Save as disclosed in this annual 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 annual report, the Group did not have other plans for material investments or capital assets as of 31 December 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed 99 employees (31 December 2019 (restated): 69 employees) 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 or purchasing power. After the acquisition of Metropolitan Group, its operating entities in the business of provision of serviced apartments, workshops, storage and wine cellars will also be highly affected by the economy of Hong Kong; (ii) supply and price level of land banks may have significant impact to our development project planning; (iii) the continuous increase of construction costs may increase the cost of the development project; (iv) legislative and regulatory changes may affect the completion time of our property development projects or the market sentiment like property cooling measures imposed by the government from time to time; (v) outsource of construction works 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) the revenue cycle is strongly depends on the sales of properties which may lead to significant fluctuation of profitability in different periods; (vii) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (viii) credit risk from provision of finance which may incur bad debts during the downturn of economy; (ix) bank borrowing and interest rate risk which may limit or otherwise materially and adversely affect our business, results of operations and financial conditions; and (x) the operational expenses may also be affected by the economic situations.

The Group has set up a risk control committee to coordinate, respond to and to tackle the abovementioned possible risks and uncertainties, and has serious scrutiny over the selection of quality customers and suppliers. The risk control committees is also responsible for developing and reviewing strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. The Group has also engaged internal auditor to review the internal operation flow to ensure the compliance with relevant rules and regulations. The Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

IMPACT OF COVID-19 PANDEMIC

The Group has implemented a series of precautionary and control measures since the outbreak of COVID-19 to ensure business continuity. In order to protect our workforce from outbreak, the Group has provided clear and timely guidelines to all staffs; maintained a close monitoring on all staff's health status, travel history and potentially infectious contacts; provided extra sanitization products and air purifier machine to all sites. Since the business operations of Metropolitan Group involve direct contact with a lot of customers, the Group has ensured proper sanitization and cleaning work is done. If there is any confirmed case at the site, a complete disinfection and sanitation of the whole area should be carried out by on a regular basis professional cleaning services provider before allowing any people to re-enter the location. Notification to all of the customers of the relevant site will also be made immediately. In terms of property sale in the early 2020 and the negative market sentiment has affected our sale or remaining property inventory. Various COVID-19 government measures had also slowed down the development process in the first six months of 2020. However, the situation improved in 4th quarter of 2020 and the Group launched the pre-sales of the Cloud successfully. Going onward, the Group will continue to closely communicate with different business partners to ensure the smooth progress of the development projects.

PROSPECT

The COVID-19 Pandemic has caused serious disruptions to our social life and economic activities. Most industries, especially hospitality and food & beverage, have been hit hard. However, the residential property market of major cities in different parts of the world including Hong Kong has remained resilient. According to data provided by OECD, 89% of the countries in the world have recorded the largest positive gains since 2000 in residential property prices up to the 3rd quarter of 2020. A very substantial amount of credit has been created and injected into the economies in different parts of the world including the US, parts of Europe and Asia, resulting in a rise in some asset prices like residential properties which are less related to economic activities.

In Hong Kong, despite high unemployment and negative GDP growth, we went ahead and launched the sale of our industrial project in Tai Kok Tsui, The Cloud, in the 4th quarter of 2020. We have successfully sold more than 50% of the units of the development and the highest price achieved reached $11,000 per sq ft in gross. With the start of the COVID-19 vaccination, we believe the pandemic situation will start to recede and economy start to recover quickly. On top of that, the US Federal Reserve recently indicated that interest rate is likely to remain low in the coming two years, and also that they will allow inflation to rise above 2%. We believe low interest rate with some inflation provide a very favorable background for the property market. We are therefore optimistic that we will be able to sell all the units of The Cloud as well as our other projects' units in the future.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chan Man Fai Joe (陳文輝), aged 62, is an executive Director of the Company since 14 March 2016. He is also the chairman, chief executive officer and one of the controlling shareholders of the Company. Mr. Chan is also the chairman of the nomination committee and executive committee. He is also a member of the remuneration committee and the risk control committee focusing on business risk. Mr. Chan is primarily responsible for the overall management, strategic planning, business strategies and corporate development of the Group. Mr. Chan has over 38 years of advisory and trading experience at leading financial institutions and has extensive experience in the property market. Mr. Chan plays an instrumental role in defining our investment strategies and capital and strategic development. His years of experience in securities and financial sectors as well as the property market have enabled him to develop insights in the macro economic environment and the market trend which may help the Group identify themes and opportunities in the marketplace. Mr. Chan has undertaken to devote sufficient time and attention to the overall management, strategic planning and corporate development of the Group. Mr. Chan received his degree of Bachelor of Social Sciences from The University of Hong Kong in November 1982 and his degree in Master of Business Administration from The Wharton School, University of Pennsylvania, U.S. in May 1987. Mr. Chan did not hold any other directorships in listed public companies in the last three years.

Ms. Cheung Wai Shuen (張慧璇), aged 45, is an executive Director and company secretary of the Company since 14 March 2016. Ms. Cheung is also a member of the executive committee and risk control committee focusing on business risk. Ms. Cheung is primarily responsible for the financial management, company secretarial matters, internal control related matters and administration of the Group. Ms. Cheung had been the company secretary of members of the Group and the finance & corporate planning managing Director of Star Properties (H.K.) Limited ("**Star Properties**") since November 2010 and October 2014 respectively. Ms. Cheung has over 19 years of financial and regulated activities experience. Ms. Cheung is currently a registered representative of type 4 activities (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities with the Securities and Futures Commission. Ms. Cheung is a fellow of The Institute of Chartered Secretaries and Administrators and admitted associate of The Hong Kong Institute of Chartered Secretaries. Ms. Cheung graduated with a degree in Bachelor of Business Administration (Honours) in Finance from Hong Kong Baptist University in December 1998 and obtained the degree in Master of Corporate Governance, from Hong Kong Polytechnic University in October 2013. Ms. Cheung did not hold any other directorships in listed public companies in the last three years.

Mr. Liu Hon Wai (廖漢威), aged 54, is an executive Director of the Company since 14 March 2016. Mr. Liu is a member of the executive committee. Mr. Liu is the head of sales and marketing and is primarily responsible for the marketing and sales management of the Group. Mr. Liu has been a managing Director of Star Properties since September 2015. Mr. Liu has over 25 years of experience in the property market especially in sales and marketing of properties. Mr. Liu was consecutively awarded with Ten Million Supervisor in Centaline Property Agency Limited from 1995 to 1999 and Ten Million Manager in 2000. He was also a lion member and golden lion member of the Centaline Eagle Club from 1995 to 2000. Mr. Liu passed the qualifying examination for estate agents under the Estate Agents Authority of Hong Kong in April 1999. Mr. Liu graduated with a Bachelor of Social Work degree from The University of Hong Kong in December 1989. Mr. Liu did not hold any other directorships in listed public companies in the last three years.

Prof. Pong Kam Keung (龐錦強), aged 59, is an executive Director of the Company since 1 September 2018. He was a non-executive Director of the Company since 14 March 2016 until his re-designation as an executive Director. Prof. Pong is also a member of the risk control committee focusing on compliance related matters. Prof. Pong has been an independent non-executive director of Shuang Yun Holdings Limited (stock code: 1706) since October 2017, a company listed on the Main Board of the Stock Exchange which engages in roadworks services and construction machinery rental services in Singapore; and an independent non-executive director of HKE Holdings Limited (stock code: 1726) since March 2018, a company listed on the Main Board of the Stock Exchange which provides integrated design and building services for hospitals and clinics in Singapore. Prof. Pong was an executive director of Sundart Holdings Limited (stock code: 1568) from July 2015 to February 2018, a company listed on the Main Board of the Stock Exchange and an integrated fitting out contractors in Hong Kong and Macau. He was also an independent non-executive director of Wang Yang Holdings Limited (stock code: 1735), now known as Central Holding Group Company Limited, from March 2018 to October 2019, a company listed on the Main Board of the Stock Exchange which is a contractor in Hong Kong undertaking foundation, superstructure and other construction works; and an independent non-executive director of FSM Holdings Limited (stock code: 1721) from June 2018 to April 2020, a company listed on the Main Board of the Stock Exchange which is a sheet metal facilitator with a focus on precision engineering and a precision machine service provider based in Singapore. Prof. Pong is also an adjunct professor in the Division of Environment and Sustainability of the Hong Kong University of Science and Technology since December 2013.

Prof. Pong obtained a degree in Bachelor of Science in Building Surveying from the Thames Polytechnic, United Kingdom in June 1989, a degree in Master of Science in Property Investment from the City University of London, United Kingdom in December 1993, a degree in Bachelor of Laws, from the University of Wolverhampton, United Kingdom in September 1995, a degree in Master of Science in Urban Planning, from The University of Hong Kong in December 2005, a degree in Master of Corporate Governance, from the Hong Kong Polytechnic University in October 2008, and a degree in Doctor of Philosophy from the Hong Kong Polytechnic University in October 2019. Prof. Pong has been a fellow of the Hong Kong Institute of Facility Management, the Hong Kong Institute of Surveyors, the Chartered Institute of Arbitrators, the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Chartered Secretaries and a member of the Royal Town Planning Institute since July 2000, November 2000, January 2001, January 2006, October 2012 and January 2007, respectively. Prof. Pong is registered as a chartered building engineer by the Chartered Association of Building Engineers in February 2014. Save as disclosed above, Prof. Pong had not held any other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

NON-EXECUTIVE DIRECTORS

Mr. Yim Kwok Man (嚴國文), aged 52, is a non-executive Director of the Company since 14 March 2016. Mr. Yim is the chairman of the risk control committee focusing on compliance related matters. Mr. Yim has over 23 years of extensive experience in the areas of corporate finance, equity capital markets and mergers and acquisitions advisory in Hong Kong. Mr. Yim has been a fellow member of The Association of Chartered Certified Accountants and an associate member of Hong Kong Society of Accountants since November 1998 and January 2002 respectively. Mr. Yim is currently a registered representative of type 4 activities (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities with the SFC. Mr. Yim graduated from Hong Kong Polytechnic University with a Bachelor of Engineering degree in Civil Engineering in November 1991. He attended an international MBA exchange program at John E Anderson Graduate School of Management, University of California, Los Angeles (UCLA), USA in 1993 and obtained a degree in Master of Business Administration (MBA) from the Chinese University of Hong Kong in September 1994. Mr. Yim is currently an independent non-executive Director of Tsui Wah Holdings Limited (stock code: 1314) since November 2012, a company listed on the Main Board of the Stock Exchange which is a food and catering services provider; and an independent non-executive Director of Apex Ace Holding Limited (stock code: 6036) since February 2018, a company listed on the Main Board of Stock Exchange which is the suppliers of digital storage products and electronic components. Save as disclosed, Mr. Yim did not hold any other directorships in listed public companies in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chung Ming Eric (李仲明), aged 56, is an independent non-executive Director of the Company since 27 June 2016. Mr. Lee is a member of the audit committee, nomination committee and risk control committee focusing on industry risk. Mr. Lee has professional experience in the architectural industry. Mr. Lee is currently a Director of LCM & Associates Ltd., an architectural firm. Mr. Lee graduated from The University of Hong Kong with a degree in Bachelor of Arts (Architectural Studies) in November 1988, and subsequently with a Bachelor of Architecture degree in November 1991. Mr. Lee also obtained a degree in Master of Science (Conservation) from the University of Hong Kong in December 2005. He has been a member of the Hong Kong Institute of Architects since December 1992 and a registered architect in the Architects Registration Board in Hong Kong since July 1993. He also obtained the qualification of authorised person (list of architects) from the Buildings Department in 1995. Mr. Lee did not hold any other directorships in listed public companies in the last three years.

Ms. Chan Wah Man Carman (陳華敏), aged 52, joined the Group as an independent non-executive Director since 27 June 2016. Ms. Chan is the chairman of the audit committee and the chairman of the remuneration committee of the Company. Ms. Chan possesses over 26 years of experience in private equity, corporate finance and financial advisory. Ms. Chan obtained a degree in Bachelor of Science from Minnesota State University, Bemidji, U.S. in August 1993, and a Master of Accounting degree from Curtin University of Technology, Australia through long distance learning in February 2000. Ms. Chan has been a member of Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia since July 2005 and April 2005, respectively. Since November 2001, she has been a responsible officer to conduct type 6 (advising on corporate finance) and since January 2019, she has been a responsible officer to conduct type 1 (dealing in Securities) regulated activity under the SFO. Save as disclosed, Ms. Chan did not hold any other directorships in listed public companies in the last three years.

Dr. Wong Wai Kong (黃偉桄), aged 55, joined the Group as an independent non-executive Director since 24 January 2020. Dr. Wong is a member of the audit committee; remuneration committee and nomination committee of the Company. Dr. Wong obtained a Bachelor Degree of Business Administration from the Hong Kong Baptist University in Hong Kong in November 1990, a Master Degree of Business Administration from the University of Sheffield in the United Kingdom in May 1995, a Master Degree of Science in Business Information Technology from the Middlesex University in the United Kingdom in January 2003 and a Doctor of Philosophy in Business Administration from the Bulacan State University in the Republic of the Philippines in July 2015. Dr. Wong has over 20 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. Dr. Wong is a Certified Public Accountant (practicing) in Hong Kong and a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Dr. Wong is currently an executive director of Pangaea Connectivity Technology Limited (stock code: 1473), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in February 2021 engaged in distribution of connectivity electronic products. Dr. Wong had been a non-executive director of Kam Hing International Holdings Limited (stock code: 2307) from January 2018 to December 2020, a company listed on the Main Board of the Stock Exchange engaged in manufacture and trading of knitted fabrics, dyed fabrics and yarns. Before that, he had been an executive Director of Kam Hing International Holdings Limited during January 2008 to December 2017. Dr. Wong had been an independent non-executive director of EEKA Fashion Holdings Limited (formerly known as Koradior Holdings Limited) (stock code: 3709) from June 2014 to July 2017, a company listed on the Main Board of the Stock Exchange engaged in leather garment manufacturing and retails business; and an independent non-executive director of Million Stars Holdings Limited (formerly known as Odella Leather Holdings Limited) (stock code: 8093) during January 2015 to March 2017, a company listed on GEM of the Stock Exchange engaged in fashion retails business. Save as disclosed, Dr. Wong did not hold any other directorships in listed public company in the last three years.

SENIOR MANAGEMENT

Lee Lap Yan Philip (李立人), is a Director of project development of Star Properties and is responsible for overall design, project management, project overall planning, implementation of policies and procedures, design quality control and leading and managing the consultants. Mr. Lee has over 18 years of experience in the property development, architectural, building and construction industries. Mr. Lee graduated from the University of Portsmouth, United Kingdom with a degree of Arts in Bachelor of Architecture in June 1992.

Wong Tin Hung (黃天洪), is a Director of project development of Star Properties and is responsible for the overall construction, project management, project overall planning, implementation of policies and procedures, design quality control, monitoring the progress of the development projects, coordinating with the consultant teams and contractors and handling all other project related activities of the Group. Mr. Wong has over 24 years of experience in civil and building construction. Mr. Wong graduated from the University of California, Los Angeles, USA with a Bachelor Degree in Civil Engineering in 1995.

Hui Ying Ying (許瑩瑩), is a Director of the company secretarial compliance of Star Properties and is responsible for company secretarial matters. Ms. Hui has over 11 years of experience in client services and management. She also has experience in fund and account portfolio administration. Ms. Hui obtained a Bachelor of Business Administration degree from the Chinese University of Hong Kong in December 2004 and obtained the degree in Master of Corporate Governance from Hong Kong Polytechnic University in October 2020. Since October 2015, she has been a licensed representative who is licensed to carry out type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO. Ms. Hui has been a fellow of the Hong Kong Institute of Chartered Secretaries since 2020.

Wong Suk Wan (黃淑雲), is a Director of Finance of Star Properties and is primarily responsible for accounting and financial management, tax, treasury, internal control and other finance related matters of the Group. Ms. Wong has over 21 years of experience in the relevant experience. Ms. Wong obtained a Master of Professional Accounting from The Hong Kong Polytechnic University in 2003 and has been an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants since 2001 and 2005 respectively.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the Company's annual report for the year ended 31 December 2020 (the "**Reporting Period**").

The Board is dedicated to maintain a high standard of corporate governance practices and business ethics as the firm believes that they are essential for maintaining and enhancing investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders, and comply with the increasingly stringent regulatory requirements as well as to fulfill its commitment to excellent corporate governance.

After reviewing the Company's corporate governance practices and the relevant regulations of the code provisions under the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

CORPORATE GOVERNANCE

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 year ended 31 December 2020.

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 considers 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.

THE BOARD

BOARD COMPOSITION

The Board currently comprises 8 Directors, with 4 executive Directors ("**ED**"), 1 non-executive Directors and 3 independent non-executive Directors ("**INEDs**").

The composition of the Board as at 31 December 2020 is set out as follows:

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

Non-executive Directors:
Mr. Yim Kwok Man

Independent non-executive Directors:
Dr. Wong Wai Kong (appointed on 24 January 2020)
Mr. Lee Chung Ming Eric
Ms. Chan Wah Man Carman

On 24 January 2020, Mr. Shiu Siu Tao resigned as an INED of the Company and Dr. Wong Wai Kong was appointed as an INED on the same day. An updated list of directors identifying their roles and functions is maintained on the website of the Company and Hong Kong Exchanges and Clearing Limited.

The profiles of all Directors are set out on pages 15 to 18 of this annual report. Save as disclosed in this Annual Report, there is no other relationship among members of the Board, including financial, business, family or other material/relevant relationship.

The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of INEDs in the Board brings independent professional judgements on issues relating to the Group's strategy, performance to ensure that the interests of all shareholders of the Company have been duly considered.

The Company has complied with Rules 3.10(1) and (2), and Rule 3.10A of the Listing Rules during the year ended 31 December 2020. Pursuant to the requirement of the Listing Rules, the Company has received written confirmation of independent from each of the INED of the Company, and considers all of the INEDs to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules.

During the year ended 31 December 2020, the attendance of each Director at the Board meetings and the general meeting of the Company held are set out as follows:

	Attendance/ Number of Board meetings held during tenure
Executive Directors:	
Mr. Chan Man Fai Joe	9/9
Prof. Pong Kam Keung	9/9
Ms. Cheung Wai Shuen	9/9
Mr. Liu Hon Wai	9/9
Non-executive Directors:	
Mr. Yim Kwok Man	9/9
Independent non-executive Directors:	
Dr. Wong Wai Kong (appointed on 24 January 2020)	9/9
Mr. Lee Chung Ming Eric	9/9
Ms. Chan Wah Man Carman	9/9

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of business plans, evaluating the performance of the Group and oversight of management, promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also responsible for determining and reviewing the policies and performance for the corporate governance for the Group. The responsibilities are to develop and review the Group's policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to employees and directors; and to review the Group's compliance with the code and disclosure in the Corporate Governance Report.

The Group's day-to-day management, administration and operation are delegated to the senior management of the Company. It also decides on matters such as annual and interim results, notifiable transactions, Directors appointments or re-appointments and dividend and accounting policies. The Board regularly reviews the functions and duties delegated to the senior management of the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities and to ensure that they are fully aware of their duties and responsibilities under statue and common law, the Listing Rules and the Company's business and governance policies. Continuing briefings and professional development to Directors will be arranged whenever necessary.

The Company has received from each of the Directors a record of training they received during the year ended 31 December 2020. A summary of such training is listed as follows:

Name of Director	Type of training
Executive Directors	
Mr. Chan Man Fai Joe	A, B
Prof. Pong Kam Keung	A, B
Ms. Cheung Wai Shuen	A, B
Mr. Liu Hon Wai	A, B
Non-executive Directors	
Mr. Yim Kwok Man	A, B
Independent non-executive Directors	
Dr. Wong Wai Kong (Appointed on 24 January 2020)	A, B
Mr. Lee Chung Ming Eric	B
Ms. Chan Wah Man Carman	A, B

A: Attending training courses and/or seminars conferences, workshops, forums or conference

B: Reading journals and materials in relation to regulatory updates, duties and responsibilities of the Directors and the business of the Group.

COMPANY SECRETARY'S TRAINING

Pursuant to Rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. Ms. Cheung Wai Shuen, an Executive Director, was appointed as the Company Secretary of the Company. She has provided her training records to the Company indicating that she has undertaken more than 15 hours of relevant professional development during the year ended 31 December 2020, by means of attending seminars and reading relevant guidance materials.

BOARD DIVERSITY

The Board has adopted a board diversity policy (the "**Policy**") on 27 June 2016 and further updated the Policy in January 2019 to reflect the latest amendments made to the CG Code and Corporate Governance Report as set out in the Appendix 14 of the Listing Rules (effective on 1 January 2019). This Policy aims to set out the approach to achieve diversity on the Company's Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenge that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group. For achieving an optimal Board, additional measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the Corporate Governance Report annually. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets and reflecting the Group's strategy.

The Nomination Committee is responsible for reviewing and monitoring the achievement of the measurable objectives set out in this Policy, as appropriate, to ensure the effectiveness of this Policy. The nomination committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. It will review the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects and adhere to the policy when making recommendation on any Board members appointments.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under Code Provision A.4.1 of the CG Code, all the non-executive Directors should be appointed for a specific term, subject to re-election. Each of the INEDs has entered into a service contract for an initial term of 1 to 3 years and is subject to termination by either party giving not less than three months' prior written notice to the other. At each annual general meeting, one third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be eligible for re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparation of the consolidated financial statements for the financial year ended 31 December 2020 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year ended 31 December 2020 and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" contained in this Annual Report.

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 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 year ended 31 December 2020. 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.

BOARD COMMITTEES

The Board has delegated authority to 5 standing committees with specific roles and responsibilities. Their terms of reference and composition are reviewed and updated regularly to ensure that they remain appropriate and reflect changes in good practice and governance. Each committee is required to report to the Board on its decision and recommendations, where appropriate.

Audit Committee

The audit committee has been established on 27 June 2016 with specific written terms of reference stipulating its authorities and duties in compliance with Rule 3.21 of the Listing Rules. The terms of reference, which are available on the websites of the Company and the Stock Exchange, has been further updated in early 2019 to align with the latest amendments made to the Corporate Governance Code and Corporate Governance Report as set out in the Appendix 14 of the Listing Rules (effective on 1 January 2019). As at 31 December 2020, the audit committee comprises three INEDs, including, Ms. Chan Wah Man Carman (chairman of the audit committee), Mr. Lee Chung Ming Eric and Dr. Wong Wai Kong.

The functions of the audit committee are, among others, to assist the Board to review the financial reporting, including interim and final results, to review and monitor the external auditors independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to oversight of the Company's risk management, internal control procedures and external audit functions and to make relevant recommendations to the Board to ensure effective and efficient operation and reliable reporting.

The audit committee had reviewed the Group's consolidated financial statements for the year ended 31 December 2020. During the year ended 31 December 2020, one audit committee meeting was held to discuss about the change of external auditor; and two audit committee meetings were held to review and discuss, inter alia, with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, as well as internal controls, risk factors and other financial reporting matters, during which all members were present throughout the meetings.

Auditor's Remuneration

The fees in relation to the audit service provided by BDO Limited, the external auditor of the Company, for the year ended 31 December 2020 amounted to HK$4,948,000, including annual audit fee of HK$1,448,000 and fees for interim review and transaction reporting of HK$3,500,000, and those in relation to non-audit service amounted to HK$Nil.

The Board or the audit committee is satisfied with, inter alia, the audit fees, effectiveness of the audit process, independence and objectivity of BDO Limited and has recommended to the Board the re-appointment of BDO Limited as the Company's external auditors for the ensuing year at the forthcoming annual general meeting of the Company.

Remuneration Committee

The remuneration committee has been established on 27 June 2016 with specific written terms of reference stipulating its authorities and duties in compliance with code provision of B.1.2 of the CG Code, which are available on the websites of the Company and the Stock Exchange. As at 31 December 2020, the remuneration committee comprises of Ms. Chan Wah Man Carman (chairman of the remuneration committee), Dr. Wong Wai Kong and Mr. Chan Man Fai Joe.

The primary roles and functions of the remuneration committee include:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and establishing a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Boards' goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on Directors' fee of the non-executive Directors with reference to the range of remuneration of other non-executive Directors in the similar industry;

(e) to consider salaries paid by comparable companies in the industry in which the Company operates, time commitment and responsibilities, and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment in order to ensure that it is consistent with contractual terms and is otherwise fair and in line with market practice;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the year ended 31 December 2020, one remuneration committee meeting was held for, inter alia, reviewing the remuneration policies and structure for the Directors and senior management of the Group, during which all members were present in the meeting and no Director was involved in deciding his/her own remuneration.

Nomination Committee

The nomination committee has been established on 27 June 2016 with specific written terms of reference stipulating its authorities and duties in compliance with code provision A.5.1 of the CG Code. In light of the latest amendments made to the Corporate Governance Code and Corporate Governance Report as set out in the Appendix 14 of the Listing Rules (effective on 1 January 2019), the Board has further adopted the revised terms of reference for Nomination Committee, which are available on the websites of the Company and the Stock Exchange. As at 31 December 2020, the nomination committee comprises of Mr. Chan Man Fai Joe (chairman of the nomination committee), Dr. Wong Wai Kong and Mr. Lee Chung Ming Eric.

The primary roles and functions of the nomination committee are as follows:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to recommend to the Board on the appointment or reappointment of Directors and succession planning for Directors in particular the chairman of the Board and the group managing Director;

(c) to identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for Directorships;

(d) to assess the independence of INEDs; and

(e) to make recommendations to the Board concerning:

- formulating plans for succession for both executive and non-executive Directors;
- membership of the Company's audit and remuneration committees, in consultation with the chairmen of those committees; and
- the re-appointment of any non-executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

(f) to recommend to the shareholders the terms of the services contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the shareholders as a whole, and to advise shareholder on how to vote; and

(g) reviewing the policy concerning diversity of the Board and the measurable objectives for implementing such policy from time to time adopted by the Board, and to review the progress on achieving these objectives, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report annually.

During the year ended 31 December 2020, one nomination committee meeting was held to propose and recommend the appointment of Dr. Wong Wai Kong as the INED; review the structure, size, composition and diversity of the Board; and assess the independence of the INEDs, during which all members were present in the meeting.

Executive Committee

The executive committee was established on 1 November 2016 and it consists of all executive Directors of the Company from time to time. It is responsible for general management, Investment, funding and financing requirements and application, supervising the day-to-day management, performance and operations in accordance with the business strategy of the Group, reviewing strategy and business development initiatives of the Group and monitoring their implementation. Currently, the executive committee comprises four members, including Mr. Chan Man Fai Joe (chairman of the executive committee), Prof. Pong Kam Keung, Ms. Cheung Wai Shuen and Mr. Liu Hon Wai.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk control committee was established on 27 June 2016 and it comprises a non-executive Directors, including, Mr. Yim Kwok Man (chairman of the risk control committee), and three executive Directors, Mr. Chan Man Fai Joe, Prof. Pong Kam Keung and Ms. Cheung Wai Shuen, and one INED, Mr. Lee Chung Ming Eric.

The primary responsibilities of the risk control committee include, among others, supervising and monitoring the risks and compliance management system of our Company, including the policies, structure and specific responsibilities. The senior management of the Group, supported by the executive Director, risk control committee, is responsible for the design, implementation and monitoring of the risk management and internal control systems, reports to the executive Directors on regularly basis, and collaborate with the Internal audit. The Board has undertaken the overall responsibility for maintaining sound and effective internal control and risk management systems to provide sufficient guidelines for our management staff and employees to work efficiently. Our internal control systems cover various operating processes from risk assessment, financial reporting, cost management, pricing for property projects to staff recruitment and training and maintenance of IT system control on annual basis.

During the year under review, the Group internal audit conducted selective reviews of the effectiveness of the risk management and internal control system of the Group over finance operation, accounting and finance reporting, IT general control, property under development, compliance on corporate governance requirements under appendix 14 of Listing Rules and review on the updates of the recommendations made in last year's review. The review results were assessed by Group internal audit and report to the risk control committee and audit committee, which then reviewed and reported the same to the Board.

As disclosed in the 2019 annual report, the Group has reconsidered the accounting treatment of sale of the entire issued share capital and shareholder's loan of the holding company of CWK Project and decided to treat such disposal as a very substantial disposal which 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. In order to avoid recurrence of incidents mentioned above and to ensure proper compliance with the Listing Rules in the future, legal and accounting professionals are required to be consulted in relation to all disposals of the shares of the subsidiary(ies) and shareholder's loan(s) under the Group in relation to the treatment to ensure compliance with the relevant requirements under the Listing Rules; training will be provided to the relevant handling staff(s) in relation to the requirements under the Listing Rules, particularly those concerning notifiable transactions; and the Company will seek legal advice from time to time when necessary.

As disclosed in the announcement dated 11 December 2020, after the grant of share option on 23 November 2020, the Group has been advised that the grant of share options, in aggregate, would result in the total number of shares which may be issued upon exercise of all share options granted under the share option scheme, in aggregate, to exceed 10% of the share in issue as at the date of listing of the shares, which was prohibited under Note 1 to Rule 17.03(3) of the Listing Rules and the rules of the share option scheme. The Group has taken immediate remedy action to cancel the share options which were granted exceed the scheme mandate limit of the share option scheme ("**Scheme Mandate Limit**"). In order to avoid the recurrence of incidents mentioned above and to ensure proper compliance with the Listing Rules in the future, the Group will (i) arrange for a designated person in the Company to monitor the number of share options granted before granting share options; and (ii) seek legal advice before granting share options, to prevent granting share options which exceed the Scheme Mandate Limit in the future.

During the year, one risk control committee meetings were held to review the internal control and risk management of the Group, during which all members were present in the meeting. Save as disclosed, during the Reporting Period, there were no major issue but areas for improvement have been identified by the risk control committee and audit committee and both internal and external auditors with appropriate measures taken. The Board is of the view that the risk management and internal control systems in place for the year and up to the date of issuance of the annual report is effective and adequate.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards and the details of the material related party transactions (the "**Transactions**") are disclosed in note 40 to the consolidated financial statements of this annual report.

Save as disclosed in this annual report, the Transactions falls under the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules, but are fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. Please refer to the paragraph headed "Continuing Connected Transactions" for details of non-exempt continuing connected transactions.

DIVIDEND POLICY

In order to enhance transparency of the Company and facilitate the shareholders of the Company and investors to make informed investment decisions relating to the Company, the Board has adopted a dividend policy ("**Dividend Policy**"). According to the Dividend Policy, when determining whether to declare any dividend in the future and the amount of dividend to be declared, the Company shall consider a number of factors, including but not limited to:

- the Group's actual and expected financial results;
- the shareholders' interests;
- the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company;
- the Company's business operation strategy, including expected working capital requirements, capital expenditure requirements and future expansion plans;
- the Company's liquidity position;
- retained earnings and distributable profit reserves of the Company;
- the contractual restrictions on the payment of dividends imposed by the Company's lenders and other institutions;
- our capital requirements;
- possible effects on our creditworthiness;
- Taxation considerations;
- statutory and regulatory restrictions; and
- any other factors that the Board considers to be applicable from time to time.

SHAREHOLDERS' RIGHTS

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholders**") shall at all times have the right, by a written requisition signed by the Eligible Shareholders concerned (the "**Requisition**"), to require the Board to convene an extraordinary general meeting, and to put any resolution so requisitioned to vote at such extraordinary general meeting.

Eligible Shareholders who wish to requisition the Board to convene an extraordinary general meeting for the purpose of proposing a resolution at the extraordinary general meeting must deposit the Requisition at the principle place of business of the Company in Hong Kong at 11/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, for the attention of the Company Secretary.

The Requisition must state clearly the names of the Eligible Shareholders concerned, specify the objects of the meeting, and be signed by the Eligible Shareholders concerned. The Eligible Shareholders must prove their shareholdings in the Company to the satisfaction of the Company.

The Company will check the Requisition and the identities and the shareholdings of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order and in compliance with the memorandum and articles of association of the Company, the Board will within 21 days of the date of deposit of the Requisition, proceed duly to convene an extraordinary general meeting to be held within two months of the date of deposit of the Requisition, for the purpose of putting any resolution(s) proposed by the Eligible Shareholders to vote at such extraordinary general meeting. However, if the Requisition has been verified as not in order and not in compliance with the memorandum and articles of association of the Company, the Eligible Shareholders concerned will be advised of this outcome and accordingly, the Board will not convene an extraordinary general meeting and will not put any resolution(s) proposed by the Eligible Shareholders to vote at any such extraordinary general meeting or any other general meeting of the Company.

If within 21 days of the date of deposit of the Requisition, the Board has not advised the Eligible Shareholders that the Requisition is not in order and not in compliance with the memorandum and articles of association of the Company, and the Board has failed to proceed to convene an extraordinary general meeting, the Eligible Shareholders himself or themselves may proceed to convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Board in accordance with the memorandum and articles of association of the Company. All reasonable expenses incurred by the Eligible Shareholders concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholders concerned by the Company.

SHAREHOLDERS' RELATIONS

The Company has adopted a shareholders' communication policy on 27 June 2016 reflecting mostly the current practices of the Company for the communication with its shareholders. Information will be communicated to shareholders through:

— The annual shareholders' meetings and other shareholders' meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholder participation.
— The Company encourages and supports shareholder participation in shareholders' meetings. Shareholders are encouraged to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings.
— Mechanisms for enabling shareholder participation will be reviewed on a regular basis by the Board to encourage the highest level of participation.
— Chairman of the Board, appropriate members of the Board committees and the external auditor of the Company will attend the annual shareholders' meetings to answer questions from the shareholders.

WHISTLEBLOWING POLICY

The Company has adopted a whistleblowing policy on 27 June 2016 to facilitate the achieving of highest possible standards of openness, probity and accountability. Procedures are formulated to enable individual employees to disclose internally and at a high level, information which the individual believes that it shows malpractice or impropriety within the Group. The audit committee has overall responsibility for this policy, but has delegated day-to-day responsibility for overseeing and implementing it to the designated senior officer: company secretary. Responsibility for monitoring and reviewing the operation of the policy and any recommendations for action resulting from investigation into complaints lies with the audit committee. During the Reporting Period, no incident of fraud or misconduct was reported from employees that have material effect on the Group's financial statements and overall operations.

INSIDE INFORMATION

The Company regulates the handling and dissemination of inside information as set out in the corporate governance policy to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of our Company was adopted on 27 June 2016. A consolidated version of the memorandum of association of the Company is available on the website of the Company and the Stock Exchange.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, statutory requirements and other regulatory requirements. As at 31 December 2020, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

A statement by the auditors about their reporting responsibilities is set out on pages 66 to 67 of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

REPORTING SCOPE AND STANDARD

This is the Environmental, Social and Governance ("**ESG**") Report prepared by the Group pursuant to the ESG Reporting Guide provided in Appendix 27 to the Listing Rules on the Stock Exchange of Hong Kong Limited. This report discloses information on the Group's ESG management approach, strategy, priorities, objectives, compliance with the relevant laws and regulations and our performance for the year ended 31 December 2020 to increase stakeholders' understanding on the Group.

The Group is principally engaged in property development and property investment for sale, rental or capital appreciation in Hong Kong and South Korea; provision of property management and security services; provision of finance; wine business which includes operation of wine cellar and trading of fine wine; and provision of media production services. The Company has began its construction and fitting out works business during the year. The various lifestyle business is operating under the "Metropolitan" brand name. Our operation is principally located in Hong Kong though the Group has expanded its property development scope to South Korea. The ESG Report covers mainly the ESG performance of the business activities in Hong Kong which is the area represent the majority of Group's ESG impacts.

The Board has overall responsibility for the Group's ESG strategy and reporting and has determined to integrate the ideas of environmental and social responsibility into the Group's operation and management activities. The Board has reviewed and approved this ESG report.

STAKEHOLDERS ENGAGEMENT

The Group believes that effective feedback from stakeholders contributes to ESG performance. The Group has engaged in regular and open communication with its stakeholder groups including employees, investors and shareholders, contractors, customers, government and the wider community. We continue to interact with our stakeholders on ongoing basis in order to understand their views and collect their feedback.

Stakeholders	Engagement Channels
Shareholders and investors	Company website, general meeting, financial reports, announcement and circulars;
Employees	Direct engagement and discussion, meeting, performance review and appraisals, trainings, seminars and briefing sessions;
Contractors	Meetings or site inspections, work reviews; procurement manager;
Customers	Direct engagement, feedbacks from agents, company website;
Government/Regulators	Email, telephone or written correspondence, government website;
The Public	ESG Reports

A. ENVIRONMENTAL

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. We recognize our responsibility of minimizing the pollution and potential nuisance to the neighborhoods of our development projects. The measures we adopted including conducting environmental assessments on our property construction projects and selecting construction contractors who have good environmental protection and safety track records and requiring them to comply with the relevant laws and regulations on the environmental protection and safely.

The Group believes the most effective way to save energy is making it our daily habit. Our Green Office Programme is introduced to encourage our staffs be environmental friendly whenever or wherever we can:-

— Take the most efficient travelling method.
— "Switch-off" all idle electrical appliances and lightings; encouraging employees to switch off (or onto energy-saving mode) computers, monitors and other electrical appliances when they are not in use.
— Optimize use of natural light in offices and maintain the office temperature at 25 degree, which reduce the usage of excess electricity energy for lighting and air-conditioning.
— Promote paperless environment by encouraging the use of electronic copy and minimize the use of paper by encouraging double side printing and use of recycled paper.

1. EMISSION — MEASURES TO REDUCE CARBON EMISSION INCLUDE:

The Group outsourced the construction work to independent contractors; the Group's business does not have direct significant greenhouse gas emissions. The major emissions of the Group are resulting from consuming electricity at the workplace, vehicles and business travels by employees.

The Company is committed to protect the environment. In order to minimize environmental impacts of our business activities, we shall comply with applicable legal and other requirements in the environmental aspects; minimize pollution, reduce waste and prevent unnecessary consumption of resources; encourage staffs to optimize resources to minimize the impact on the environment and natural resources and encourage environmental protection activities amongst suppliers, vendors and subcontractors.

Air and Greenhouse Gas (the "GHG") Emission

During the year ended 31 December 2020, the Group rents one private motor vehicle that runs on petrol gas. A total of approximately 5,460.23 litres (2019: 6,670.33 litres) of petrol was used for the motor vehicle.

Sewage Discharge/Waste Management

We did not consume significant volume of water which, in turn, did not discharge a lot of water wastage. The discharge into water and land, and generation of hazardous and non-hazardous waste during our course of operations is minimal.

Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

2. USE OF RESOURCES

We have undertaken various recourse saving measures as mentioned in the guidelines of our Green Office Programme to demonstrate our efforts in efficient use of resources in our daily operations. The Group has incorporated energy saving equipment in the office such as installation of sensor in the office area to avoid wasting electricity and adoption of multi-function photocopiers (with printing, scanning and fax functions) that meet energy efficiency specification to reduce energy consumption.

Electricity consumed by the Group's office in its normal business operation is supplied by CLP Power Hong Kong Limited. The electricity consumption by the Group at its office was approximately 132,855kWh (2019: 83,013kWh), producing CO_2 equivalent emissions of approximately 75,727.35 kgCO_2/kWh (2019: 47,317.41 kgCO_2/kWh (adjusted [1])) and an energy consumption intensity of approximately 11.81 kWh per square feet (2019: 7.38 kWh per square feet) during the year.

Note [1]: *According to CLP latest statement, the carbon intensity for the year 2019 has been reduced to 0.57 kgCO_2/kWh. The CO_2 emission figure 66,410 kgCO_2/kWh reported in 2019 Annual Report of the Company was based on 0.80 kgCO_2/kWh carbon intensity for the year 2018.*

3. THE ENVIRONMENTAL AND NATURAL RESOURCES

The Group's operational activities do not have significant impacts on the environment and natural resources, and the Company shall ensure compliance with all applicable environmental related legislations and regulations.

4. CLIMATES CHANGE

The Group's operational activities do not have significant impacts on or by the climate-related issues.

B. SOCIAL ASPECT

1. EMPLOYMENT AND LABOUR PRACTICES

The Group offer competitive remuneration packages to our employees, with discretionary bonuses issued based on individual performance and our business performance.

Our human resources practices are established to align with the applicable laws and regulations with regard to recruitment, compensation and dismissal, other benefits and welfare, promotion, working hours, equal opportunities, diversity and anti-discrimination. The Group embraces diversity and provides employees with equal opportunity. Employees are assessed and hired based on their capabilities, regardless of their age, gender, nationality, cultural background, religious belief, etc. During the financial year end 31 December 2020, the Group complied with Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and other labour related laws and regulations.

Employment

As at 31 December 2020, the Group employed 108 employees (including 4 executive directors). Among all, 45.8% is female and 54.2% is male; all of the employees are under full time contracts; 18.7% is under 30 years old; 43.9% is between 30 to 50 years old; 37.4% is above 50 years old; 93.5% is from HK and stationed in Hong Kong and 6.5% is Korean stationed in South Korea.

Employment Turnover

During the year ended 31 December 2020, the Group's overall employment turnover rate was approximately 28.0%. The breakdown by gender is 14.0% male and 14.0% female. The breakdown by age group is 9.4% below 30 years old; 10.3% between 30 to 50 years old and 8.4% above 50 years old. The breakdown by geographic region is 96.7% in HK and 3.3% in South Korea.

2. HEALTH AND SAFETY

The Group is subject to the health and safety requirements of Hong Kong including, but not limited to, the Occupational Health and Safety Ordinance and the Factories and Industrial undertakings Ordinance. The Group's liability to the employees is covered by insurance, which are required by law to take out. In Year 2020, the Group was not aware of any gross violations of relevant laws and regulations relating to the significant impacts of the provision of safe working environment and protection of employees. In addition, no substantial fines or sanction for such non-compliance was imposed on the Group in Year 2020.

In order to protect our employees during the impact of COVID-19, all employees working in offices or any sites must wear masks according to regulations. The Group provides hand sanitizers for employees throughout the Company to reduce the risk of virus transmission.

Besides, the principal office of the Group has also provide an in-house kitchen for its employees. Employees may prepare their own lunch in the kitchen for healthy diet.

The Group does not have an insurable interest in relation to the employees of the contractors. The contractors are required by law to take out insurance which covers their liabilities to their employees. However, our strict quality control measures require our contractors to comply with the relevant rules and regulations including environmental, labour, social and safety regulations to minimize our risks and liabilities.

The number of work-related fatalities occurred in each of the past three years ended 31 December 2020 was zero. The lost days due to work injury was zero for the year ended 31 December 2020.

3. DEVELOPMENT AND TRAINING

To help nurture professional talents and to promote overall efficiency, increase the morale and loyalty of the employees, the Group provides on-the-job training, professional membership reimbursements and assists our employees in completing the mandatory basic safety training courses and fulfilling the continuous professional training hour requirement. Our employees are also encouraged to pursue work-related advanced studies and attend seminars and workshops to hone their skills.

The Group provided below training courses to its employees for the year ended 31 December 2020:

Training courses	Department/Employees
Orientation for new employees	All employees
Introduction to HK Laws	Metropolitan Workshops

The Group provided subsidies to below training courses to its employees for the year ended 31 December 2020:

Training courses	Employee Category/Gender
Master of Corporate Governance	Senior Management/Female

4. LABOUR STANDARDS

The Group is committed to protecting human rights. We have zero tolerance on forced labour, child labour, or illegal immigrant labour. The Group complies with all relevant laws and regulations towards the use of forced labor and child labor in our business operations: Our human resources manager is responsible for screening out any suspicious candidates during recruitment process and our project development department also inspected regularly on construction sites to eliminate any chance on illegal employment. The Group aims not to be directly or indirectly complicit in human rights abuses and to ensure that all work that is performed on our behalf is in compliance with all relevant labor laws and regulations.

5. SUPPLY CHAIN MANAGEMENT

Property Development

The Group outsourced different parts of the construction work to qualified general construction contractors for. These contractors are registered licensed building contractor certified by the Buildings Department. Contractors are selected based on the project size, capability, contractors' qualification and relevant experience. The Group would also take into account the reputation of the contractors for reliability, quality and safety, price quotations, level of experience, technical capabilities, industry reputation and the references provided in the selection process. The Group requires our contractors to comply with the relevant rules and regulations including environmental, labour, social and safety regulations to minimize our risks and liabilities. The project development department monitors cost control and construction progress closely during construction with periodic on-site supervision and stringent quality control procedures.

Wine Trading Business

Our fine wine trading business is approaching 10th years after its establishment; we have maintained a long-term co-operating suppliers list. We sources wines internationally and locally base on the customers' needs and our business plan and consider if we should purchase wines from existing suppliers or identify any new suppliers. The suppliers' reputation and scale will be the main factors when we look for new supplier. We may also source broking stocks for clients locally.

The Group conducts property development, wine cellar; workshop, storage, apartment business in Hong Kong and all of the suppliers are from Hong Kong. For the property development operation in South Korea, the suppliers are located in South Korea. For the wine trading business, we have 193 suppliers from Hong Kong; 45 from France; 5 from UK; 2 from Deutsche; 2 from USA and 1 from Singapore.

6. PRODUCT RESPONSIBILITY

The Group places great emphasis on the quality control of the construction of our properties, including the procurement of construction materials, materials for external finishes, interior finishes and interior fittings, and appliances for our property development projects, to ensure compliance with our quality standard. The Group places emphasis on project supervision to ensure that our project development projects meet our quality standards and comply with the relevant laws and regulations.

Quality control starts with the selection of qualified construction contractors. Most of our major contractors engaged by us had industry accreditations such as ISO 9001, ISO14001 and/or OHSAS 18001. The Group inspects and reviews the qualification and performances of the contractors regularly to ensure they are performing up to our standards and in compliance with the laws and regulations.

Our project development department conducts pre-qualification checks on the construction companies and periodically reviews the suitability to entrust them with our construction works mostly based on our past experience in doing business with them. Further, it is the responsibility of our contractors to procure construction materials, such as materials for external finishes, interior finishes and interior fittings, and appliances for our property development projects. They are required to procure, inspect or test any goods or materials to ensure they meet our requirements and specifications in accordance with relevant laws, codes of practice and requirements of the relevant government authorities, for example, the contractors are required to arrange testing of sample of concrete at laboratories, and submit the test report to the government for approval; for other materials such as iron and steel, the contractors are required furnish us information such as the origin and mill certificates of the material, and the relevant QC production certificates, especially for prefabricated building units, to ensure that the quality complies with our requirement, and all raw materials types, standards, quality must also meet with the satisfaction of our appointed architects and engineering consultants for these building projects.

On site supervision of works is another key in quality control of our building projects. Our consultants' site resident engineers and the architects' clerk of works conduct periodic quality checks on the building materials and workmanship on site to ensure they are strictly in compliance with the relevant codes of practices and standards stipulated in the contract specifications. Our consultants also monitor the on-site progress, conduct regular site safety and environmental checks of our construction sites and they submit regular monthly progress reports to our project development department.

As an environmentally responsible company, the Group ensures that all of building projects are BEAM Plus rated, so that they are environmentally friendly in areas like: (a) material aspects in terms of selection of sustainable material and waste management; (b) site aspects in terms of air pollution, noise pollution and water pollution during construction; (c) energy aspects in terms of reduction of carbon dioxide emission and energy efficiency; (d) water quality aspects in terms of minimum water saving performance; and (e) indoor air quality aspects. Our company appoints our sourced green building consultants to prepare green building plans at the outset of our property development for each project and they supervise and carry out site inspections to ensure the green building practice is properly implemented on site.

As part of our quality control policy, we would also require each of our purchasers to acknowledge and sign on a property handover form, confirming that the purchaser has received and is satisfied with the building unit he/she has bought, together with items ancillary to the unit, such as keys, fitting and fixtures. We provide comprehensive after-sale services including handling customer complaints and supervising the repair and ongoing maintenance of the property developed. The Group also requires the contractors to provide a defect liability period, which normally lasts for one year upon completion, during which any defects of the property reported by the property manager and customers will be forwarded to the main contractor for following up and rectification with no additional costs to the purchasers.

As at the year ended 31 December 2020, the Group was not aware of any incidents of non-compliance with relevant laws and regulations that have a significant impact on the issue relating to health and safety, advertising, labelling and privacy matters relating to products provided and methods of redress.

Product safety and health

The Group's products are mainly property units and there is nil recall for safety and health reasons. We treasure the client's feedback on our developed properties, we provide after-sales follow up to ensure the delivered property units aligned with the delivery standard.

Intellectual Property Rights

The Group has applied relevant trademarks and domains to protect our intellectual property rights.

Protecting Customer's Privacy

We respect customers' privacy and had implemented measures to protect it. Our staff was well trained to handle materials containing sensitive information of our customers. Firewall and antivirus solutions were installed in our information technology infrastructure to help protect customers' information.

7. ANTI-CORRUPTION

The Group adheres to stringent anti-corruption policies as stated in the Group's Office Manual that includes Integrity of Business Practices, ethical standard, conflicts of interest, breach of conduct, handling of confidential information and legal requirement on prevention of bribery and against corruption.

The Group has adopted best practices with respect to whistle-blowing. Details of our whistle-blowing policy and procedures are published on our Company website.

The Group circulates anti-corruption training materials or updates to all employees from time to time. No cases of corruption were reported within the Group during the financial year ended 31 December 2020.

During the reporting period, the Group complied with the relevant laws and regulations regarding anti-corruption and money laundering.

8. COMMUNITY INVESTMENT

The Group targets to dedicate itself to take up its corporate social responsibility for the communities where it is present. As a responsible global citizen, the Group is committed to improving social image and social responsibilities through community investment. All employees of the Group are encouraged to take the initiative to help and support local communities and neighbourhood.

To share the Group's belief in supporting young people in Hong Kong to pursue their passions and dreams as part of our corporate social responsibilities, the Group would continue to seek for opportunities to support the potential startups in Hong Kong.

The board of directors (the "**Director(s)**") of the Company (the "**Board**") presents their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2020 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES

The Group is principally engaged in property development and property investment for sale, rental or capital appreciation, provision of property management and security services; provision of finance; wine business which includes operation of wine cellar and trading of fine wine; and provision of media production services. The Company has began its construction and fitting out works business during the year. The various lifestyle business is operating under the "Metropolitan" brand name. Details of which are set out in "Management Discussion and Analysis" and note 8 of the consolidated financial statements. Save as disclosed, there were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Discussion and analysis of the Group's business as required by Schedule 5 of the Companies Ordinance, including a fair review of the Group's business; a description of the principal risks and uncertainties facing the Group; analysis using financial key performance indicators; particulars of important events affecting the Group that have occurred since 31 December 2019 (if any); and an indication of likely future developments in the Group's business, are included in the Chairman's Statement and Management Discussion and Analysis set out in this annual report on page 4 and pages 5 to 14 respectively. The discussion and analysis form part of this Report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group endeavors to attain long-term sustainable development by addressing social, governance and environmental risks and benefits into our business decision-making and into the inception, design, construction, occupation, demolition and revitalization phases of our development projects. The Group works closely with our consultants to achieve innovative and elegant designs while being compatible and sensitive to our environmental and social responsibilities. The construction-related work for our property development projects are outsourced to independent construction companies who are subject to various environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control, drainage control and noise control.

The Group has taken measures to promote environmental-friendliness of the workplace by encouraging green office culture through paper recycling culture, water conservation measures and energy-saving culture within the Group to reduce the impact of operations on the environment and natural resources.

COMPLIANCE WITH LAWS AND REGULATIONS

Saved as disclosed in this annual report, as far as the Board is concerned, the Group has complied in material aspects in the relevant applicable laws and regulations that have a significant impact on the businesses and operations of the Group during the Reporting Period.

RELATIONSHIP WITH EMPLOYEE, CUSTOMERS AND SUPPLIERS

The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. The total remuneration of employees includes basic salaries and discretionary bonus. Moreover, the Group has also adopted a share option scheme. The remuneration policy of the Directors are reviewed and determined by the remuneration committee having regard to the Directors' experience, responsibilities, workload and time devoted to the Group and performance of the Group.

Major customers of the Group are purchasers. The Group strives to develop and deliver high quality property units with innovative and elegant designs to our customers in general. In order to realize the Group's pledge of enhancing customer satisfaction persistently, the Group has assured to adopt the best concepts and the best quality of products in development projects.

The major service providers of the Group are contractors, architectural firms, law firm, and consultancy services provider. The Group has good cooperation relationship with suppliers in general, and strategic cooperation agreements have been signed with a number of high quality suppliers for the realization of higher quality in construction work and materials supplied. The Group will uphold the win-win principle to achieve joint developments with suppliers in general.

RESULTS

The results of the Group for the year ended 31 December 2020 and the Group's the financial position at that date are set out in this annual report on pages 68 to 71. The summary of the result of the assets and liabilities of the Group for the last five financial years are also set out on page 192 in this annual report.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: HK0.2 cents). During the year, 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).

BORROWING FACILITIES

Particulars of the borrowing facilities of the Group as at 31 December 2020 are set out in note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment, of the Group during the year are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTIES HELD FOR SALE

Details of investment properties and properties held for sale of the Group during the year are set out in notes 18 and 22 to the consolidated financial statements in this annual report respectively.

SHARE CAPITAL

Particular of the movements in share capital of the Company are set out in note 30 to the consolidated financial statements in this annual report.

RESERVES

The movements in reserves of the Group and the Company during the year are presented in the consolidated statement of changes in equity on page 72 and in note 42 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to approximately HK$665.9 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the largest supplier and the top five largest suppliers accounted for approximately 34.4% and 57.9% of our total cost incurred of the Group during the year respectively. Our top five suppliers comprised contractors, architectural firm and consultancy service providers. For the year ended 31 December 2020, the revenue generated from the largest customer and the top five largest customers of the Group represented approximately 29.3% and 94.2% of the total revenue of the Group during the year respectively. Our top five customers were one-off purchasers for the completed units of our development projects.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors of the Company who held office during the year and up to the date of this annual report were:

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

Non-executive Directors:
Mr. Yim Kwok Man

Independent non-executive Directors:
Mr. Shiu Siu Tao (Resigned on 24 January 2020)
Dr. Wong Wai Kong (Appointed on 24 January 2020)
Mr. Lee Chung Ming Eric
Ms. Chan Wah Man Carman

The profiles of all Directors are set out on pages 15 to 18 of this annual report. At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. As such, the term of office of each Director has been specified under the articles of association.

The Company has received confirmation from each of the INEDs as regards their independence to the Company for the year pursuant to Rule 3.13 of the Listing Rules and considers that each of the INEDs is independent to the Company.

DIRECTORS' INTERESTS IN SECURITIES

(A) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time ("**SFO**")) which were notified to the Company and the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Shares and underlying Shares as at 31 December 2020

Name of Directors/ chief executive	Number of Shares held (Beneficial owner/ through controlled corporation)	Interests in share option *(Note 2)*	Other derivative interests in listed corporation	Total	Approximately percentage of shareholding in the Company *(Note 4)*
Mr. Chan Man Fai Joe	440,640,800 *(Note 1)*	— *(Note 3)*	836,000,000 *(Note 5)*	1,276,640,800	199.01%
Ms. Cheung Wai Shuen	300,000	—	—	300,000	0.05%
Mr. Liu Hon Wai	—	—	—	—	—
Prof. Pong Kam Keung	—	470,400	—	470,400	0.07%
Mr. Yim Kwok Man	—	470,400	—	470,400	0.07%
Ms. Chan Wah Man Carman	156,000	470,400	—	626,400	0.10%
Mr. Lee Chung Ming Eric	—	470,400	—	470,400	0.07%

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 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. *On 11 December 2020, the Company has proposed to grant 10,000,000 share options to Mr. Chan Man Fai Joe which was subject to approval of independent shareholders and the Stock Exchange. As the related approvals were not obtained as at 31 December 2020, the interests in share option was shown nil. The related approvals were obtained subsequently in January 2021.*

4. *These percentages were compiled based on the total number of issued shares (i.e. 641,498,000 shares) at 31 December 2020.*

5. *Metropolitan Lifestyle (BVI) Limited is the interested in 836,000,000 shares by virtue of the convertible bonds issued by the Company on 22 October 2020. Metropolitan Lifestyle (BVI) Limited is indirectly held as to 100% by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the shares in which Metropolitan Lifestyle (BVI) Limited is interested.*

(B) DIRECTORS AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITION DEBENTURES AS AT 31 DECEMBER 2020

Name of Directors/ chief executive	Amount of debentures Personal Interests	Family Interests	Corporation Interests	Total	Approximately percentage to the total amount of debentures in issued
Mr. Chan Man Fai Joe	—	—	HK$418,000,000 *(Note 1)*	HK$418,000,000	100%

Note:

1. *The convertible bonds issued on 22 October 2020 to Metropolitan Lifestyle (BVI) Limited, which is indirectly held as to 100% by Mr. Chan Man Fai Joe.*

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of our Company had any 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 (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO); or were required to be recorded in the register of the Company pursuant to Section 352 of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, so far as our Directors are aware, the following persons (other than the Directors and the chief executive of the Company) had interests of 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:

Long Positions in the Shares and underlying Shares

Name of Shareholder	Capacity	Number of Shares	Interest in share option	Approximate percentage of shareholding in the Company *(Note 4)*
Star Properties Holdings (BVI) Limited	Beneficial owner *(Note 1)*	432,140,800	—	67.36%
Mr. Lam Kin Kok	Interest of controlled corporation *(Note 2)*	38,259,200	—	5.96%
	Beneficial owner	1,408,000	—	0.22%
Eagle Trend (BVI) Limited	Beneficial owner *(Note 2)*	38,259,200	—	5.96%
Metropolitan Lifestyle (BVI) Limited	Beneficial owner *(Note 3)*	836,000,000	—	130.32%

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 shares in which Star Properties Holdings (BVI) Limited is interested.*

2. *Eagle Trend (BVI) Limited is the registered or beneficial owner of 38,259,200 ordinary shares. Eagle Trend (BVI) Limited is wholly-owned by Mr. Lam Kin Kok. By virtue of the SFO, Mr. Lam Kin Kok is deemed to be interested in the shares in which Eagle Trend (BVI) Limited is interested.*

3. *Metropolitan Lifestyle (BVI) Limited is the interested in 836,000,000 shares by virtue of the convertible bonds issued by the Company on 22 October 2020. Metropolitan Lifestyle (BVI) Limited is indirectly held as to 100% by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the shares in which Metropolitan Lifestyle (BVI) Limited is interested.*

4. *These percentages were compiled based on the total number of issued shares (i.e. 641,498,000 shares) at 31 December 2020.*

5. *All the interests stated above represent long positions.*

As at 31 December 2020, so far as our Directors are aware, no person had interests of short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was a substantial shareholder of the Company.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The Company has entered into service contracts with each of our executive Directors and non-executive Directors and a letter of appointment with each of our INEDs, major terms of which include that (1) the tenure of each Director shall continue till the expiration of the term of the current session of the Board of Directors; and (2) the tenure may be terminated in accordance with respective terms of the contract. The service contracts may be renewed under the Articles of Association and applicable rules.

Save as disclosed above, none of the Directors has entered into a contract of service with the Company which is not determinable by the Company within one year without payment of compensation, other than statuary compensation.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

Save as disclosed in notes 2, 10, 27 and 40 to the consolidated financial statements, none of the Directors had any direct or indirect material interest in any significant contract, transaction and arrangement with the Group during or at the end of the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, none of the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company, including their spouses and children under 18 years of age, to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations, within the meaning of Part XV of the SFO.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDER

Mr. Chan Man Fai Joe, the controlling shareholders of the Group, had entered into a Deed of non-competition in favour of the Company on 27 June 2016. Mr. Chan Man Fai Joe has confirmed in writing with the Company that he has complied with the undertakings under the Deed of non-competition during the year ended 31 December 2020. The INEDs have also reviewed such confirmations on the undertakings of the Deed of Non-competition by Mr. Chan Man Fai Joe during the year ended 31 December 2020 and confirmed that there was no breach of undertakings in the Deed of Non-competition by Mr. Chan Man Fai Joe.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules during the year.

DISCLOSURE UNDER RULES 13.18 AND 13.21 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.

- On 27 November 2020, the Company entered into a facility agreement with a bank for the general banking facilities of an revolving loan amount of HK$30,000,000. Pursuant to the terms of the facility agreement, Mr. Chan Man Fai Joe shall, directly or indirectly, maintain not less than 51% shareholding of the Company. As at the date of the loan agreement, Mr. Chan Man Fai Joe holds approximately 68.69% of the issued share capital of the Company.

As at 31 December 2020, the aggregate interest in the shares in the Company held by Mr. Chan Man Fai Joe, direct and indirect, is 440,640,800 shares, representing approximately 68.74% of issued share capital of the Company.

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.

ELIGIBLE PARTICIPANTS

(a) Our Board may at its discretion grant options to: (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("**Affiliate**"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

(b) In order for a person to satisfy our Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).

(c) Each grant of options to a connected person (as defined in the Listing Rules) of our Company, or any of his associates (as defined in the Listing Rules), must be approved in accordance with the requirements of the Listing Rules.

(d) Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to certain requirement as stated in the Share Option Scheme.

TOTAL NUMBER OF SECURITIES AVAILABLE FOR ISSUE

As at 31 December 2020, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed either (i) 30% of the issued share capital of our Company from time to time or (ii) 10% of the issued share capital of the Company as at the Listing Date (i.e. 22,400,000 Shares)(without taking into account the Shares which may be issued and allotted pursuant to the exercise of the Overallotment 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.

During the year ended 31 December 2020, the issued share capital of the Company is HK$6,414,980, divided into 641,498,000 Shares, all fully paid or credited as fully paid.

On 26 January 2021, the Company has passed an extraordinary general meeting to refresh its scheme mandate limit to 64,149,800 shares, being 10% of the total number of shares in issue as at the date of passing the resolution approving the proposed refreshment of scheme mandate limit at the extraordinary general meeting. The Stock Exchange has also granted the approval for the listing of and permission to deal in the shares that may be issued pursuant to the exercise of the share options that may be granted under the refreshed scheme mandate limit.

Accordingly, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed either (i) 30% of the issued share capital of our Company from time to time pursuant to Note 2 to Rule 17.03(3) of the Listing Rules and the rules of the Share Option Scheme or (ii) 10% of the issued share capital of the Company as at 26 January 2021, the date of passing the resolution approving the proposed refreshment of scheme mandate limit at the extraordinary general meeting (i.e. 64,149,800 Shares) 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.

MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the twelve-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of our Company as at the date of such grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.

TIME OF EXERCISE OF OPTION

Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

However, at the time of granting any option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

PERIOD OF THE SHARE OPTION SCHEME

Options may be granted to Eligible Participants under the Share Option Scheme during the period of ten years commencing on the effective date of the Share Option Scheme. Details of the Share Option Scheme are set out in section headed Share Option Scheme in the Prospectus dated 30 June 2016.

ACCEPTANCE OF THE SHARE OPTION

A nominal consideration of HK$1.00 is payable on or before the last day for acceptance of the option by each grantee of the Share Option Scheme.

BASIS FOR DETERMINATION THE EXERCISE PRICE

The exercise price for any share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee (in the letter containing the offer of the grant of the option) and shall not be less than the highest of:

(a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day;

(b) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date of grant of the relevant option; and

(c) the nominal value of a share on the date of grant.

THE REMAINING LIFE OF THE SCHEME

Approximately 5 years (expiring on 27 June 2026).

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	Exercisable period	Exercise price
25 Jan 2017	26,107,200	25 Jan 2018-12 Jul 2016	HK$0.98
	(Note 1)		*(Note 1)*
18 Oct 2018 *(Note 2)*	21,193,088	18 Oct 2018-17 Oct 2028	HK$0.75
23 Nov 2020 *(Note 2)*	32,950,000	23 Nov 2020-22 Nov 2030	HK$0.41
11 Dec 2020 *(Note 3)*	10,000,000	11 Dec 2020-10 Dec 2030	HK$0.41
	(Note 3)		*(Note 1)*
27 Jan 2021	27,250,000	27 Jan 2021-26 Jan 2031	HK$0.415

Notes:

1. *The number of outstanding share options and exercise price were adjusted as a result of the bonus issue of shares and open offer of shares of the Company on 19 May 2017 and 11 September 2017, respectively.*

2. *All of the granted share options were either exercised or lapsed or cancelled.*

3. *On 11 December 2020, the Company has proposed to grant 10,000,000 share options to Mr. Chan Man Fai Joe which was subject to approval of independent shareholders and the Stock Exchange. The related approvals were obtained subsequently in January 2021.*

During the year ended 31 December 2020, the Board has (i) granted 32,950,000 share options to eligible participants under the Share Option Scheme on 23 November 2020 while all of them were subsequently cancelled on 11 December 2020 due to exceed of the scheme mandate limit of the Share Option Scheme by that time; and (ii) proposed to refresh the scheme mandate limit of the Share Option Scheme and grant of 10,000,000 share options to Mr. Chan Man Fai Joe on 11 December 2020. Both of the proposed resolutions were passed in the extraordinary general meeting on 26 January 2021.

After the approval of the refreshment of scheme mandate limit of the Share Option Scheme by the shareholders of the Company and the Stock Exchange, the Board has announced to grant a total of 27,250,000 share options to selected employee and directors under the Share Option Scheme on 27 January 2021. The exercise price of the granted options is HK$0.418 per share.

During the year ended 31 December 2020, 52,875,488 share options were cancelled and nil share option has been exercised. Subsequently in January 2021, 670,400 share options were lapsed.

Detailed accounting policies adopted for the share options are described in Note 5 to the consolidated financial statements.

DETAILS OF THE MOVEMENTS IN THE COMPANY'S SHARE OPTIONS DURING THE YEAR ENDED 31 DECEMBER 2020 ARE SET OUT BELOW:

Name or category	Outstanding as at 1 January 2020	Granted during the year	Exercised during the year	Adjusted during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31 December 2020	Approximate percentage of the issued shares of the Company
Executive Directors								
Mr. Chan Man Fai Joe	5,476,000	6,000,000 *(Note 2)*	–	–	11,476,000	–	0	–%
Prof. Pong Kam Keung	2,136,000	3,000,000	–	–	4,665,600	–	470,400	0.07%
Ms. Cheung Wai Shuen	6,099,200	4,000,000	–	–	10,099,200	–	–	–%
Mr. Liu Hon Wai	4,899,200	2,000,000	–	–	6,899,200	–	–	–%
Non Executive Director								
Mr. Yim Kwok Man	627,200	600,000	–	–	756,800	–	470,400	0.07%
Independent Non Executive Directors								
Mr. Shiu Siu Tao (resigned on 24 Jan 2020)	627,200	–	–	–	156,800	–	470,400	0.07%
Mr. Chan Wah Man Carman	471,200	600,000	–	–	600,800	–	470,400	0.07%
Mr. Lee Chung Ming Eric	627,200	600,000	–	–	756,800	–	470,400	0.07%
Dr. Wong Wai Kong	–	600,000	–	–	600,000	–	–	–
Others								
Other Employees	4,607,088	15,550,000	–	–	16,864,288	–	3,292,800	0.51%

Notes:

1. *These options represent personal interest held by the grantees as beneficial owners.*

2. *On 11 December 2020, the Company has proposed to grant 10,000,000 share options to Mr. Chan Man Fai Joe which was subject to approval of independent shareholders and the Stock Exchange. As the related approvals were not obtained as at 31 December 2020, it did not include as granted share options to Mr. Chan Man Fai Joe during the year ended 31 December 2020. The related approvals were obtained subsequently in January 2021.*

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands where the Company is incorporated.

PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2020, pursuant to the Articles of Association of the Company, every Director and other officers shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of the duties of their duty, or supposed duty in their respective office or otherwise in relation thereto. The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard in corporate governance practice. For the year ended 31 December 2020, the Company has complied with the code provisions under 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 individual. Information about the corporate governance practice adopted by the Company is set out in the Corporate Governance Report on pages 20 to 33 of this Annual Report.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions for the year as disclosed in note 40 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. During the year ended 31 December 2020, the Group has entered into certain transactions which constituted continuing connected transactions (as defined in the Listing Rules) of the Company and details of these transactions are set out below in accordance with the Listing Rules.

Continuing connected transactions subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. EXEMPTED CONTINUING CONNECTED TRANSACTION

DIRECTOR'S QUARTER LEASE AGREEMENT

Star Properties (H.K.) Limited (an indirect wholly-owned Subsidiary of the Company) entered into a lease agreement with Vogue Town Limited on 1 January 2020, pursuant to which the Group agreed to lease a premise for a Director's quarter for a term of 1 year with monthly rental rate of HK$200,000. The annual caps of the transaction contemplated under the Director's Quarter Lease Agreement for the year ended 31 December 2020 was HK$2,400,000. The Director's Quarter Lease Agreement was terminated effective on 31 March 2020.

Vogue Town Limited is a company incorporated in Hong Kong and wholly owned by Mr. Chan Man Fai Joe, the chairman and chief executive director and controlling shareholder of the Company. The principal activity of Vogue Town Limited is property holding.

During the year under review, the amount of Director's quarter lease agreement amounted to HK$600,000, which did not exceed the annual caps for these transactions.

2. EXEMPTED CONTINUING CONNECTED TRANSACTION

MOTOR VEHICLE LICENSE AGREEMENT

Star Properties (H.K.) Limited (an indirect wholly-owned Subsidiary of the Company) also entered into an agreement with Vogue City Limited on 1 January 2020, pursuant to which the Group agreed to rent a motor vehicle for a term of 1 year with monthly rental rate of HK$5,000. The annual caps of the transaction contemplated under Motor Vehicle License Agreement for the year ended 31 December 2020 is HK$60,000.

Vogue City Limited is a company incorporated in Hong Kong and wholly owned by Mr. Chan Man Fai Joe, the chairman and chief executive director and controlling shareholder of the Company. The principal activity of Vogue City Limited is property holding.

During the year under review, the amount of motor vehicle license agreement amounted to HK$60,000, which did not exceed the annual caps for these transactions.

3. PARTIALLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

TENANCY AGREEMENT WITH METRO YOGA & DANCE LTD

Spring Moon Investments Limited (an indirect wholly owned subsidiary of the Company) entered into an agreement with Metro Yoga & Dance Limited on 11 December 2018, pursuant to which Metro Yoga & Dance Limited as tenant agreed to rent Shop 3, G/F., The Rainbow, 22 Wang Yip Street South, Yuen Long for a term of 3 years with a turnover rent equivalent to 25% of gross receipts and starting from 1 January 2020, the tenant shall pay the base rent HK$215,175 or turnover rent per month, whichever is higher. The annual caps of the transactions contemplated under this tenancy agreement for the year ended 31 December 2020 is HK$6,600,000. The tenancy agreement was terminated on 29 February 2020 under mutual agreement.

Metro Yoga & Dance Limited is a company incorporate in Hong Kong and 65% of the total number of issued shares is ultimately held by Mr. Chan Man Fai Joe, the chairman and chief executive director and controlling shareholder of the Company.

Given that one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the largest annual cap during the term of the Tenancy Agreement exceed 5% but all are less than 25% and the largest annual caps is less than HK$10,000,000, the continuing connected transactions contemplated under the Tenancy Agreement are subject to the reporting, announcement and annual review requirements but are exempt from circular (including independent financial advice) and Shareholders' approval requirements under chapter 14A of the Listing Rules.

During the year under review, the rental income for the tenancy agreement amounted to HK$11,495 which did not exceed the annual caps of these transactions.

4. EXEMPTED CONNECTED TRANSACTION

KOREA CONSULTANCY AGREEMENT

Star Properties Korea has engaged Rabbit & Turtle to provide an one-off design consultancy services to its projects at a consideration of US$80,000 in February 2020. Subsequently in February 2021, Star Properties Korea has further engaged Rabbit & Turtle to provide an one-off space design consultancy services for the newly acquired corner 25 Seongsu vision site at a consideration of US$80,000.

Rabbit & Turtle is a company incorporated in South Korea and wholly owned by Ms. Yoo, Young-Ji ("**Ms. Yoo**"), a director of Star Properties Korea (an indirect wholly owned subsidiary of the Company). The principal activity of Rabbit & Turtle is provision of consultancy services.

5. EXEMPTED CONTINUING CONNECTED TRANSACTION

TENANCY AGREEMENT IN KOREA

Star Properties Korea Limited (an indirect wholly-owned Subsidiary of the Company), Star Properties Korea PFV and Star Properties Korea PFV2 (both are indirect 95%-owned subsidiaries of the Company) entered into three tenancy agreements separately with Rabbit & Turtle Company Limited on 1 April 2019 (the "**Korea Tenancy Agreements**"), pursuant to which the Group agreed to rent an office for a term of 3 years with monthly rental rate and monthly add-on services charge allocated to the contractual entities as following:

Contractual Entities	Monthly rental rate	Monthly add-on services charge	Monthly Total
Star Properties Korea Limited	KRW2,970,000	KRW1,523,920	KRW4,493,920
Star Properties Korea PFV	KRW990,000	KRW507,970	KRW1,497,970
Star Properties Korea PFV2	KRW990,000	KRW507,970	KRW1,497,970

The annual caps of the transaction contemplated under the Korea Tenancy Agreements for the years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 are KRW67,408,740, KRW89,878,320, KRW89,878,320 and KRW22,469,580 respectively.

Rabbit & Turtle is a company incorporated in South Korea and wholly owned by Ms. Yoo, Young-Ji ("**Ms. Yoo**"), a director of Star Properties Korea (an indirect wholly owned subsidiary of the Company). The principal activity of Rabbit & Turtle is provision of consultancy services.

During the year under review, the amount of the Korea Tenancy Agreements amounted to KRW89,878,320 (equivalent to HK$617,000), which did not exceed the annual caps for these transactions.

6. PARTIALLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

CONSULTANCY AGREEMENT WITH RABBIT & TURTLE

On 24 April 2020, Star Properties (H.K.) (an indirect wholly owned subsidiary of the Company) entered into a consultancy agreement ("**Consultancy Agreement**") with Rabbit & Turtle, pursuant to which, Rabbit & Turtle agreed that it will provide design related consultancy services to two development projects managed by Star Properties (H.K.) for a term with effect from 24 April 2020 and ending on 31 December 2020 (both days inclusive). The total consideration of the Consultancy Agreement is US$570,000 (equivalent to approximately HK$4,446,000). The annual cap of the Consultancy Agreement for the year ended 31 December 2020 was HK$5,000,000.

Rabbit & Turtle is a company incorporated in South Korea and wholly owned by Ms. Yoo, Young-Ji ("**Ms. Yoo**"), a director of Star Properties Korea (an indirect wholly owned subsidiary of the Company). The principal activity of Rabbit & Turtle is provision of consultancy services.

Given that one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the largest annual cap during the term of the Tenancy Agreement exceed 5% but all are less than 25% and the largest annual caps is less than HK$10,000,000, the continuing connected transactions contemplated under the Tenancy Agreement are subject to the reporting, announcement and annual review requirements but are exempt from circular (including independent financial advice) and Shareholders' approval requirements under chapter 14A of the Listing Rules.

Before entering into the Consultancy Agreement, the Group has previously entered into a number of tenancy and consultancy agreements with Rabbit and Turtle as disclosed above and in the announcement of the Company dated 24 April 2020. The aggregated annual cap for the years ending 31 December 2020, 2021 and 2022, respectively:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Korea Tenancy Agreements	HK$590,956	HK$590,956	HK$147,739
Korea Consultancy Agreement	HK$624,000	HK$624,000	—
Consultancy Agreement	HK$5,000,000	—	—
Total	**HK$6,214,956**	**HK$1,214,956**	**HK$147,739**

During the year under review, the amount of the Consultancy Agreement amounted to US$570,000 (equivalent to approximately HK$4,446,000) which did not exceed the annual caps for the transaction.

Opinion from the independent non-executive Directors on the connected transactions

The Directors (including all independent non-executive Directors) have reviewed the above connected transactions and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) under normal commercial terms or better; and

(3) in accordance with the agreements related to the above continuous connected transactions, the terms of which were fair and reasonable and for the overall benefit and interests of the shareholders as a whole.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the aforesaid connected transactions.

External auditor's report on the Group's continuing connected transactions

The auditor of the Company had conducted an annual review of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and undertaken a limited assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by Hong Kong Institute of Certified Public Accountants, and provided a letter separately to the Board, confirming that the above continuing connected transactions:

1. nothing has come to auditor's attention that causes them to believe that the aforesaid continuing connected transactions have not been approved by the Board;

2. for transactions involving the provision of services by the Group, nothing has come to auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. with respect to the aggregate amount of each of the aforesaid continuing connected transactions, nothing has come to auditor's attention that causes them to believe that the aforesaid continuing connected transactions have exceeded the annual cap as set by the Company.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient prescribed amount of public float as required under the Listing Rules since the Listing Date and up to 31 December 2020.

EVENTS AFTER REPORTING PERIOD

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF ENTIRE SHARE CAPITAL OF PALICO DEVELOPMENT LIMITED

On 3 March 2021 (after trading hours), Ritzy Soar Limited, an indirect wholly owned subsidiary of the Company (the "**Vendor**") entered into a provisional agreement with an independent third party (the "**Purchaser**"), pursuant to which the Vendor has agreed to sell and assign, and the Purchaser has agreed to purchase and take up an assignment of, the entire equity interest of Palico Development Limited; or if a property procurement option (as defined in the provisional agreement and disclosed in the announcement of the Company dated 3 March 2021) has been exercised, the Vendor has agreed to procure Palico Development Limited to sell, and the Purchaser has agreed to purchase, the property held by Palico Development Limited, at the purchase price of HK$51,750,000 (subject to adjustment). Further details of the aforesaid transaction were disclosed in the announcement of the Company dated 3 March 2021.

As from 31 December 2020 to the date of this annual report, saved as disclosed in this annual report, the Board is not aware of any significant events that have occurred which require disclosure herein.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by BDO Limited, who retire and, being eligible, offer themselves for re-appointment. During the year, Deloitte Touche Tohmatsu resigned as the auditor of the Company and BDO Limited was appointed by the Directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Man Fai Joe
Chairman

Hong Kong, 31 March 2021

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF STAR PROPERTIES GROUP (CAYMAN ISLANDS) LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the 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 68 to 188, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

DETERMINING NET REALISABLE VALUE OF PROPERTIES HELD FOR SALE

At 31 December 2020, the Group had properties held for sales at a carrying amount of HK$2,733,814,000 (2019: HK$3,153,060,000), which included completed properties of HK$449,074,000 (2019: HK$468,089,000) and properties under development of HK$2,284,740,000 (2019: HK$2,684,971,000), as disclosed in note 22 to the consolidated financial statements. These properties held for sales are stated at the lower of cost and net realisable value on an individual property basis. Net realisable value is estimated at the actual or estimated selling price less estimated cost to completion and costs necessary to make the sales. In addition, due to the unique nature of individual properties, estimation of selling prices is highly subjective which requires management's judgment on customer preferences. If the actual net realisable value on properties held for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material allowances for impairment losses may result.

We have identified the valuation of properties held for sale as a key audit matter due to significant management estimations involved in determining the net realisable value on properties held for sale.

Refer to summary of significant accounting policies in note 5, key sources of estimation uncertainty in note 6 to the consolidated financial statements, respectively.

Our response:

Our procedures in relation to valuation of properties held for sale included:

— Assessing the reasonableness of the construction budget of properties under development by comparing them to actual construction cost incurred for the properties developed by the Group by reference to the latest market data;

— Evaluating the appropriateness of the estimated selling price by comparing it with recent sales transactions for similar properties in similar locations; and

— Comparing the management's estimation of the estimated costs to completion per budget, on a sample basis, to the actual development cost incurred by the Group of similar completed properties in the past by reference to the progress of the development stage and the latest market data.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019, were audited by another auditor who express an unmodified opinion on those statements on 11 March 2020.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Pak Tak Lun
Practising Certificate Number P06170

Hong Kong, 31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Revenue	*7*	**105,782**	174,440
Cost of sales and services		**(34,849)**	(67,736)
Gross profit		**70,933**	106,704
Other income	*9*	**24,156**	9,092
(Loss)/gain on change in fair value of investment properties, net	*18*	**(70,370)**	18,186
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss, net	*21*	**5,219**	(1,027)
Gain on disposal of a subsidiary	*33*	**383,197**	—
Selling expenses		**(6,731)**	(8,572)
Administrative expenses		**(72,365)**	(52,313)
Finance costs	*10*	**(24,247)**	(39,281)
Profit before tax	*11*	**309,792**	32,789
Income tax expense	*14*	**(7,003)**	(10,755)
Profit for the year		**302,789**	22,034
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**9,812**	(5,941)
Total comprehensive income for the year		**312,601**	16,093
Profit for the year attributable to:			
Owners of the Company		**306,936**	23,662
Non-controlling interests		**(4,147)**	(1,628)
		302,789	22,034

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Total comprehensive income for the year attributable to:			
Owners of the Company		**316,578**	17,813
Non-controlling interests		**(3,977)**	(1,720)
		312,601	16,093
Earnings per share (in HK cents)	*15*		
Basic		**47.85**	3.71
Diluted	*15*	**37.73**	3.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	31 December 2020 HK$'000	31 December 2019 HK$'000 (Restated)	1 January 2019 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*16*	**6,000**	8,146	7,825
Investment properties	*18*	**1,050,712**	1,105,381	978,521
Deferred tax assets	*19*	**–**	1,085	635
Prepayments for acquisitions of investment properties		**–**	–	20,368
Loan receivables	*20*	**128,591**	164,766	199,260
Financial assets at fair value through profit or loss	*21*	**6,108**	6,119	6,412
		1,191,411	1,285,497	1,213,021
CURRENT ASSETS				
Inventories	*22*	**9,094**	9,319	7,446
Properties held for sale	*22*	**2,733,814**	3,153,060	2,906,848
Trade and other receivables	*23*	**48,926**	52,713	44,923
Contract costs		**–**	–	301
Financial assets at fair value through profit or loss	*21*	**35,590**	460	204
Amounts due from related companies	*27*	**14,713**	–	–
Stakeholder's accounts	*24*	**34,222**	6,066	38,877
Pledged bank deposits	*24*	**10,381**	10,257	10,115
Bank balances and cash	*24*	**55,457**	87,759	136,493
		2,942,197	3,319,634	3,145,207
CURRENT LIABILITIES				
Trade and other payables	*25*	**120,234**	125,790	105,525
Contract liabilities	*26*	**34,033**	5,949	4,543
Amount due to a director	*27*	**52,673**	39,000	–
Amount due to an equity owner	*27*	**–**	196,346	176,846
Amounts due to related companies	*27*	**13,821**	–	–
Lease liabilities	*17*	**13,229**	13,786	12,737
Tax liabilities		**2,591**	56,918	73,928
Borrowings	*28*	**2,320,491**	3,120,233	2,853,633
		2,557,072	3,558,022	3,227,212
NET CURRENT ASSETS/(LIABILITIES)		**385,125**	(238,388)	(82,005)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,576,536**	1,047,109	1,131,016

	Notes	31 December 2020 HK$'000	31 December 2019 HK$'000 (Restated)	1 January 2019 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Lease liabilities	*17*	**31,550**	42,157	55,943
Convertible bonds — liability component	*29*	**75,800**	—	—
Deferred tax liabilities	*19*	**55,506**	53,096	48,897
		162,856	95,253	104,840
NET ASSETS		**1,413,680**	951,856	1,026,176
CAPITAL AND RESERVES				
Share capital	*30*	**6,415**	6,415	6,272
Reserves	*30*	**1,416,326**	947,464	1,021,933
Equity attributable to owners of the Company		**1,422,741**	953,879	1,028,205
Non-controlling interests		**(9,061)**	(2,023)	(2,029)
TOTAL EQUITY		**1,413,680**	951,856	1,026,176

The consolidated financial statements on pages 68 to 188 were approved and authorised for issue by the Board of Directors on 31 March 2021 and are signed on its behalf by:

Chan Man Fai Joe
Director

Cheung Wai Shuen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Shareholders' contribution HK$'000 (Note 30(i))	Convertible bonds-equity component HK$'000 (Note 29)	Merger reserve HK$'000 (Note 30(ii))	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019 (previously reported)	6,272	218,425	16,755	(223)	190,000	–	–	359,630	790,859	1,754	792,613
Effect of inclusion of Metropolitan Group (note 2)	–	–	–	(3,867)	–	–	20	241,193	237,346	(3,783)	233,563
At 1 January 2019 (Restated)	6,272	218,425	16,755	(4,090)	190,000	–	20	600,823	1,028,205	(2,029)	1,026,176
Profit for the year	–	–	–	–	–	–	–	23,662	23,662	(1,628)	22,034
Other comprehensive income for the year	–	–	–	(5,849)	–	–	–	–	(5,849)	(92)	(5,941)
Total comprehensive income for the year	–	–	–	(5,849)	–	–	–	23,662	17,813	(1,720)	16,093
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	1,726	1,726
Exercise of share options (note 31)	143	15,032	(4,452)	–	–	–	–	–	10,723	–	10,723
Lapse of share options	–	–	(335)	–	–	–	–	335	–	–	–
Dividends paid (note 13)	–	–	–	–	–	–	–	(99,432)	(99,432)	–	(99,432)
Dividend paid to equity owner	–	–	–	–	–	–	–	(3,430)	(3,430)	–	(3,430)
At 31 December 2019 (Restated)	6,415	233,457	11,968	(9,939)	190,000	–	20	521,958	953,879	(2,023)	951,856
Profit for the year	–	–	–	–	–	–	–	306,936	306,936	(4,147)	302,789
Other comprehensive expense for the year	–	–	–	9,642	–	–	–	–	9,642	170	9,812
Total comprehensive income for the year	–	–	–	9,642	–	–	–	306,936	316,578	(3,977)	312,601
Insertion of an intermediate holding company	–	–	–	–	–	–	(20)	–	(20)	–	(20)
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	(116)	(116)
Issuance of convertible bonds (note 29)	–	–	–	–	–	313,698	(150,227)	–	163,471	–	163,471
Acquisition of additional interests in a subsidiary (note 38)	–	–	–	–	–	–	–	(83)	(83)	83	–
Disposal of equity interests in certain subsidiaries (note 38)	–	–	–	–	–	–	–	3,029	3,029	(3,028)	1
Cancellation of share options (note 31)	–	–	(9,103)	–	–	–	–	9,103	–	–	–
Dividend paid (note 13)	–	–	–	–	–	–	–	(14,113)	(14,113)	–	(14,113)
At 31 December 2020	6,415	233,457	2,865	(297)	190,000	313,698	(150,227)	826,830	1,422,741	(9,061)	1,413,680

	2020 HK$'000	2019 HK$'000 (Restated)
Cash flows from operating activities		
Profit before tax	**309,792**	32,789
Adjustments for:		
Depreciation of plant and equipment	**933**	1,015
Depreciation of right-of-use assets	**1,916**	1,766
Finance costs	**24,247**	39,281
Gain on disposal of plant and equipment	**—**	(160)
(Gain)/loss on change in fair value of financial assets at fair value through profit or loss	**(5,219)**	1,027
Gain on disposal of a subsidiary	**(383,197)**	—
Impairment loss recognised on trade receivables	**604**	372
Loss/(gain) on change in fair value of investment properties	**70,370**	(18,186)
COVID-19 related rent concession from lessors	**(1,012)**	—
Interest income earned on bank balances	**(665)**	(434)
Unrealised exchange differences	**5,291**	(4,369)
Operating cash flows before movements in working capital	**23,060**	53,101
Decrease/(increase) in inventories	**225**	(1,873)
Decrease in loan receivables	**35,667**	30,215
Decrease/(increase) in trade and other receivables	**3,654**	(3,883)
Decrease in contract costs	**—**	301
Increase in properties held for sale	**(112,982)**	(171,434)
(Increase)/decrease in stakeholder's accounts	**(28,156)**	32,811
(Decrease)/increase in trade and other payables	**(5,506)**	15,895
Increase in contract liabilities	**28,084**	1,406
Increase in amounts due from related parties	**(14,713)**	—
Increase in amounts due to related parties	**13,821**	—
Cash used in operations	**(56,846)**	(43,461)
Income tax paid	**(57,835)**	(24,148)
Net cash used in operating activities	**(114,681)**	(67,609)

	2020 HK$'000	2019 HK$'000 (Restated)
Cash flows from investing activities		
Purchase of investment properties	**(11,868)**	(47,179)
Purchase of property, plant and equipment	**(703)**	(1,457)
Proceeds from disposal of plant and equipment	**–**	337
Proceeds from disposal of a subsidiary	**980,000**	–
Cash outflow for common control combination	**(42,000)**	–
Cash outflow from acquisition of a subsidiary	**–**	(49,380)
Proceeds from disposal of investment properties	**3,660**	8,253
Proceeds from/(purchase) of financial assets at fair value through profit or loss	**869**	(1,014)
Proceeds from refund of financial assets at fair value through profit or loss	**–**	24
Placement of pledged bank deposits	**(124)**	(142)
Interest received from bank	**665**	434
Net cash generated from/(used in) investing activities	**930,499**	(90,124)
Cash flows from financing activities		
Borrowings raised	**416,303**	999,299
Repayments of borrowings	**(1,216,045)**	(728,589)
Repayments of lease liabilities	**(16,825)**	(18,767)
Increase in amount due to a director	**13,673**	39,000
Increase in amount due to an equity owner	**53,028**	19,500
Insertion of an intermediate holding company	**(20)**	–
Proceeds from disposal of equity interests in certain subsidiaries	**1**	–
Capital contribution from non-controlling interests	**–**	1,726
Proceeds from issue of shares	**–**	10,723
Interest paid	**(84,144)**	(111,020)
Dividends paid	**(14,113)**	(102,862)
Net cash (used in)/generated from financing activities	**(848,142)**	109,010
Net decrease in cash and cash equivalents	**(32,324)**	(48,723)
Cash and cash equivalents at beginning of year	**87,759**	136,493
Effect of foreign exchange rate changes	**22**	(11)
Cash and cash equivalents at end of year represented by bank balances and cash	**55,457**	87,759

1. GENERAL

Star Properties Group (Cayman Islands) Limited (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's immediate and ultimate holding company is Star Properties Holdings (BVI) Limited, a company incorporated in the British Virgin Islands, and its ultimate controlling party is Mr. Chan Man Fai Joe ("**Mr. Joe Chan**"), who is the chairman of the Board of Directors and an executive director of the Company. With effect from 16 December 2020, the address of its registered office of the Company was changed from Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands to Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is 11/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. Subsequent to the completion of business combination under common control as further explained in note 2, the principal activities of the Company and its subsidiaries (collectively the "**Group**") are principally engaged in property development, property investment, provision of property management and security services, construction and fitting out works, provision of finance, trading of fine wine and provision of media production services.

2. COMMON CONTROL COMBINATION DURING THE YEAR

On 21 July 2020, the Company and Metropolitan Lifestyle (BVI) Limited (the "**Vendor**") entered into a sale and purchase agreement (the "**Acquisition Agreement**") for the purchase of (i) the entire issued share capital of Metropolitan Group (BVI) Limited ("**Metropolitan**") (the "**Sale Share**"); and (ii) all obligation, liabilities and debts owing or incurred by Metropolitan and its subsidiaries (collectively "**Metropolitan Group**") to the Vendor on or at any time prior to the completion date of the acquisition (the "**Sale Loan**") at an aggregate nominal consideration of HK$460,000,000 (the "**Acquisition**"). The consideration is to be satisfied by cash of HK$42,000,000 and issuance of convertible bonds by the Company with principal amount of HK$418,000,000. The Acquisition was completed on 22 October 2020 (the "**Completion**"). Metropolitan Group is principally engaged in trading of fine wine, property investment and provision of media production services. Further details about the Acquisition were disclosed in the circular of the Company dated 14 September 2020.

As the Company and Metropolitan are ultimately controlled by Mr. Joe Chan, the Acquisition is a business combination under common control. The Acquisition is accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations ("**AG 5**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as if the Acquisition had occurred on the date when the combining entities, i.e. the Company and Metropolitan first come under the control of Mr. Joe Chan. By applying the merger accounting, the assets and liabilities of the combining entities are combined using their existing book values from Mr. Joe Chan's perspective.

In applying AG 5 to the Acquisition as described above, the consolidated statements of financial position of the Group as at 1 January 2019 and 31 December 2019 have been restated to include the assets and liabilities of Metropolitan Group if they were within the Group on these respective dates. The consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2019 have also been restated to include the financial performance, changes in equity and cash flows of Metropolitan Group as if they were within the Group since 1 January 2019.

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

The following are reconciliations of the effects arising from the accounting of common control combination in accordance with AG 5 on the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2019 and the consolidated statements of financial position as at 1 January 2019 and 31 December 2019.

Effect of the Acquisition on the consolidated statement of financial position as at 1 January 2019:

	The Group as previously reported HK$'000	Business combination of entities under common control HK$'000	The Group as restated HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	475	7,350	7,825
Investment properties	13,470	965,051	978,521
Deferred tax assets	—	635	635
Prepayments for acquisition of investment properties	—	20,368	20,368
Loan receivables	199,260	—	199,260
Financial assets at fair value through profit or loss	6,412	—	6,412
	219,617	993,404	1,213,021
CURRENT ASSETS			
Inventories	—	7,446	7,446
Properties held for sale	2,906,848	—	2,906,848
Trade and other receivables	25,959	18,964	44,923
Contract costs	301	—	301
Financial assets at fair value through profit or loss	204	—	204
Stakeholder's accounts	38,877	—	38,877
Pledged bank deposits	10,115	—	10,115
Bank balances and cash	121,369	15,124	136,493
	3,103,673	41,534	3,145,207

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of financial position as at 1 January 2019: (Continued)

	The Group as previously reported HK$'000	Business combination of entities under common control HK$'000	The Group as restated HK$'000
CURRENT LIABILITIES			
Trade and other payables	91,430	14,095	105,525
Contract liabilities	692	3,851	4,543
Amount due to an equity owner	—	176,846	176,846
Lease liabilities	—	12,737	12,737
Tax liabilities	73,813	115	73,928
Borrowings	2,364,437	489,196	2,853,633
	2,530,372	696,840	3,227,212
NET CURRENT ASSETS/(LIABILITIES)	573,301	(655,306)	(82,005)
TOTAL ASSETS LESS CURRENT LIABILITIES	792,918	338,098	1,131,016
NON-CURRENT LIABILITIES			
Lease liabilities	—	55,943	55,943
Deferred tax liabilities	305	48,592	48,897
	305	104,535	104,840
NET ASSETS	792,613	233,563	1,026,176
CAPITAL AND RESERVES			
Share capital	6,272	—	6,272
Share premium	218,425	—	218,425
Share options reserve	16,755	—	16,755
Translation reserve	(223)	(3,867)	(4,090)
Shareholders' contribution	190,000	—	190,000
Merger reserve	—	20	20
Retained earnings	359,630	241,193	600,823
Equity attributable to owners of the Company	790,859	237,346	1,028,205
Non-controlling interests	1,754	(3,783)	(2,029)
TOTAL EQUITY	792,613	233,563	1,026,176

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of financial position as at 31 December 2019:

	The Group as previously reported HK$'000	Business combination of entities under common control HK$'000	The Group as restated HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	2,151	5,995	8,146
Investment properties	52,000	1,053,381	1,105,381
Deferred tax assets	—	1,085	1,085
Loan receivables	164,766	—	164,766
Financial assets at fair value through profit or loss	6,119	—	6,119
	225,036	1,060,461	1,285,497
CURRENT ASSETS			
Inventories	—	9,319	9,319
Properties held for sale	3,153,060	—	3,153,060
Trade and other receivables	32,608	20,105	52,713
Financial assets at fair value through profit or loss	460	—	460
Stakeholder's accounts	6,066	—	6,066
Pledged bank deposits	10,257	—	10,257
Bank balances and cash	62,276	25,483	87,759
	3,264,727	54,907	3,319,634
CURRENT LIABILITIES			
Trade and other payables	104,253	21,537	125,790
Contract liabilities	293	5,656	5,949
Amount due to a director	39,000	—	39,000
Amount due to an equity owner	—	196,346	196,346
Lease liabilities	—	13,786	13,786
Tax liabilities	56,737	181	56,918
Borrowings	2,580,184	540,049	3,120,233
	2,780,467	777,555	3,558,022

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of financial position as at 31 December 2019: (Continued)

	The Group as previously reported HK$'000	Business combination of entities under common control HK$'000	The Group as restated HK$'000
NET CURRENT ASSETS/ (LIABILITIES)	484,260	(722,648)	(238,388)
TOTAL ASSETS LESS CURRENT LIABILITIES	709,296	337,813	1,047,109
NON-CURRENT LIABILITIES			
Lease liabilities	—	42,157	42,157
Deferred tax liabilities	177	52,919	53,096
	177	95,076	95,253
NET ASSETS	709,119	242,737	951,856
CAPITAL AND RESERVES			
Share capital	6,415	—	6,415
Share premium	233,457	—	233,457
Share options reserve	11,968	—	11,968
Translation reserve	(1,940)	(7,999)	(9,939)
Shareholders' contribution	190,000	—	190,000
Merger reserve	—	20	20
Retained earnings	266,257	255,701	521,958
Equity attributable to owners of the Company	706,157	247,722	953,879
Non-controlling interests	2,962	(4,985)	(2,023)
TOTAL EQUITY	709,119	242,737	951,856

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019:

	The Group as previously reported HK$'000	Business combination of entities under common control HK$'000	The Group as restated HK$'000
Revenue	119,979	54,461	174,440
Cost of sales and services	(50,843)	(16,893)	(67,736)
Gross profit	69,136	37,568	106,704
Other income	8,315	777	9,092
(Loss)/gain on change in fair value of investment properties	(2,597)	20,783	18,186
Loss on change in fair value of financial assets at fair value through profit or loss	(1,027)	—	(1,027)
Selling expenses	(6,970)	(1,602)	(8,572)
Administrative expenses	(35,372)	(16,941)	(52,313)
Finance costs	(19,244)	(20,037)	(39,281)
Profit before tax	12,241	20,548	32,789
Income tax expense	(6,944)	(3,811)	(10,755)
Profit for the year	5,297	16,737	22,034
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(1,808)	(4,133)	(5,941)
Total comprehensive income for the year	3,489	12,604	16,093

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019: (Continued)

	The Group as previously reported HK$'000	Business combination of entities under common control HK$'000	The Group as restated HK$'000
Profit for the year attributable to:			
Owners of the Company	5,724	17,938	23,662
Non-controlling interests	(427)	(1,201)	(1,628)
	5,297	16,737	22,034
Total comprehensive income for the year attributable to:			
Owners of the Company	4,007	13,806	17,813
Non-controlling interests	(518)	(1,202)	(1,720)
	3,489	12,604	16,093
Earnings per share (in HK cents)			
— Basic	0.90	2.81	3.71
— Diluted	0.90	2.81	3.71

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of cash flows for the year ended 31 December 2019:

	The Group as previously reported HK$'000	Business combination of entities under common control HK$'000	The Group as restated HK$'000
Cash flows from operating activities			
Profit before tax	12,241	20,548	32,789
Adjustments for:			
Depreciation of property, plant and equipment	358	657	1,015
Depreciation of right-of-use assets	455	1,311	1,766
Finance costs	19,244	20,037	39,281
Gain on disposal of plant and equipment	(4)	(156)	(160)
Loss on change in fair value of financial assets at fair value through profit or loss	1,027	—	1,027
Impairment loss recognised on trade receivables	—	372	372
Loss/(gain) on change in fair value of investment properties	2,597	(20,783)	(18,186)
Interest income earned on bank balances	(434)	—	(434)
Unrealised exchange differences	—	(4,369)	(4,369)
Operating cash flows before movements in working capital	35,484	17,617	53,101
Increase in inventories	—	(1,873)	(1,873)
Decrease in loan receivables	30,215	—	30,215
Increase in trade and other receivables	(2,370)	(1,513)	(3,883)
Decrease in contract costs	301	—	301
Increase in properties held for sale	(171,434)	—	(171,434)
Decrease in stakeholder's accounts	32,811	—	32,811
Increase in trade and other payables	8,453	7,442	15,895
(Decrease)/increase in contract liabilities	(399)	1,805	1,406
Cash (used in)/generated from operations	(66,939)	23,478	(43,461)
Income tax paid	(24,148)	—	(24,148)
Net cash (used in)/generated from operating activities	(91,087)	23,478	(67,609)

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of cash flows for the year ended 31 December 2019: (Continued)

	The Group as previously reported HK$'000	Business combination of entities under common control HK$'000	The Group as restated HK$'000
Cash flows from investing activities			
Purchase of investment properties	—	(47,179)	(47,179)
Purchase of property, plant and equipment	(680)	(777)	(1,457)
Proceeds from disposal of property, plant and equipment	17	320	337
Cash outflow from acquisition of a subsidiary	(49,380)	—	(49,380)
Proceeds from disposal of investment properties	8,253	—	8,253
Purchase of financial assets at fair value through profit or loss	(1,014)	—	(1,014)
Proceeds from refund of financial assets at fair value through profit or loss	24	—	24
Placement of pledged bank deposits	(142)	—	(142)
Interest received from bank	434	—	434
Net cash used in investing activities	(42,488)	(47,636)	(90,124)

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of cash flows for the year ended 31 December 2019: (Continued)

	The Group as previously reported HK$'000	Business combination of entities under common control HK$'000	The Group as restated HK$'000
Cash flows from financing activities			
Borrowings raised	675,968	323,331	999,299
Repayments of borrowings	(456,111)	(272,478)	(728,589)
Repayments of lease liabilities	(1,822)	(16,945)	(18,767)
Increase in amount due to a director	39,000	—	39,000
Increase in amount due to an equity owner	—	19,500	19,500
Capital contribution from non-controlling interests	1,726	—	1,726
Proceeds from issue of shares	10,723	—	10,723
Interest paid	(95,200)	(15,820)	(111,020)
Dividends paid	(99,432)	(3,430)	(102,862)
Net cash generated from financing activities	74,852	34,158	109,010
Net (decrease)/increase in cash and cash equivalents	(58,723)	10,000	(48,723)
Cash and cash equivalents at beginning of year	121,369	15,124	136,493
Effect of foreign exchange rate changes	(370)	359	(11)
Cash and cash equivalents at end of year represented by bank balances and cash	62,276	25,483	87,759

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(A) ADOPTION OF NEW OR AMENDED HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

Except for the amendments to HKFRS 16, the Group has not applied any new or amended HKFRS that is not yet effective for the current year.

The adoption of these amendments has no material impact on the Group's financial statements except as explained below.

Amendments to HKFRS 16, COVID-19 Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

— The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

— There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(A) ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

Amendments to HKFRS 16, COVID-19 Related Rent Concessions (Continued)

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendments.

(B) NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Reference to the Conceptual Framework [3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK(IFRIC) Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause [4]
Amendments to HKAS 16	Proceeds before Intended Use [2]
Amendments to HKAS 37	Onerous Contracts: Costs of Fulfilling a Contract [2]
HKFRS 17	Insurance Contracts [4]
Amendments to HKFRS 3	Reference to the Conceptual Framework [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 [1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, illustrative Examples accompanying HKFRS 16, and HKAS 41 [2]

1 *Effective for annual periods beginning on or after 1 January 2021*

2 *Effective for annual periods beginning on or after 1 January 2022*

3 *Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022*

4 *Effective for annual periods beginning on or after 1 January 2023*

5 *The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined*

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(B) NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE (Continued)

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK(IFRIC) — Interpretation 5 (2020) ("HK(IFRIC)-Int 5 (2020)"), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK(IFRIC)-Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK(IFRIC)-Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of these amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of these amendments will have on the Group's consolidated financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(B) NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE (Continued)

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies ("**HK(IFRIC)-Int 21**"), the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(B) NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE (Continued)

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

4. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out in note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties and financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

4. BASIS OF PREPARATION (Continued)

BASIS OF MEASUREMENT (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out note 5 below.

Impact of COVID-19 outbreak to the Group

The novel coronavirus ("**COVID-19**") pandemic has led to a severe impact to different industry globally as well as people's livehoods. From the business aspect of the Group, the sale of remaining inventory of completed properties held for sale and development process was slightly delayed in the first half of 2020. Nevertheless, since mid-August 2020, development process of the Group's incomplete projects has been resumed and the sale of the remaining inventory and pre-sales of project under development namely "The Cloud" received a positive response. The Group will observe the development closely and take appropriate measures accordingly to minimise the impact of COVID-19 outbreak to the Group's business operations.

FUNCTIONAL AND PRESENTATION CURRENCIES

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

5. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF CONSOLIDATION (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss on disposal is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill, if applicable), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

ACQUISITION OF A SUBSIDIARY NOT CONSTITUTING A BUSINESS

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

BUSINESS COMBINATIONS

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

APPLYING MERGER ACCOUNTING IN ACCORDANCE WITH ACCOUNTING GUIDELINE 5 "MERGER ACCOUNTING FOR COMMON CONTROL COMBINATIONS"

Business combination involving entities under common control relates to acquisitions of subsidiaries/businesses controlled by the controlling party.

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUBSIDIARIES

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 Financial Instruments ("**HKFRS 9**"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

OVER TIME REVENUE RECOGNITION: MEASUREMENT OF PROGRESS TOWARDS COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (such as sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE AND OTHER INCOME RECOGNITION POLICIES

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(ii) Revenue from sales of goods are recognised at a point of time when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion right to direct the goods and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(iii) Revenue from provision of services is recognised over time as those services are provided. Revenue from providing service is recognised using output method on a straight-line basis over the terms of the fixed-price contract, as the customer simultaneously receives and consumes the benefits provided.

(iv) Revenue from provision of construction and fitting out works is recognised over time using output method according to value of progress towards satisfaction of the performance obligation under the fixed-price construction contract.

(v) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

LEASING

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

— the amount of the initial measurement of the lease liability;

— any lease payments made at or before the commencement date, less any lease incentives received;

— any initial direct costs incurred by the Group; and

— an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. For right-of-use that meets the definition of an investment property, they are carried at fair value.

Right-of-use assets that do not meet the definition of investment property are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as "property, plant and equipment". Right-of-use assets that meet the definition of investment property or inventory are presented within "investment properties" or "properties held for sale" respectively.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

— fixed payments (including in-substance fixed payments) less any lease incentives receivable;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable by the Group under residual value guarantees;

— the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

— payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

— the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or

— the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

— The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

— the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

— the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate leases. The sub-lease is classified as finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

The Group as a lessor (Continued)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

RETIREMENT BENEFITS COSTS

Payments to the Mandatory Provident Fund Scheme (the "**MPF Scheme**") are recognised as an expense when employees have rendered service entitling them to the contributions.

SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

SHARE-BASED PAYMENT ARRANGEMENTS

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to directors of the Company and employees of the Group who have contributed or will contribute to the Group are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultant

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

PLANT AND EQUIPMENT

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

If an investment property becomes a property held for sale because the principal use of the property has been changed as evidenced by the commencement of development with a view to sale, the property will be reclassified to property held for sale at its fair value at the date of transfer. Subsequent to the changes, the property is stated at the lower of deemed cost, equivalent to the fair value at the date of transfer, and net realisable value.

IMPAIRMENT ON ASSETS (OTHER THAN FINANCIAL ASSETS)

At the end of the reporting period, the Group reviews the carrying amount of its property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT ON ASSETS (OTHER THAN FINANCIAL ASSETS) (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

INVENTORIES

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTIES HELD FOR SALE

Properties under development which are intended to be sold upon completion of development and properties for sale 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. Properties under development and properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to completed properties for sale upon completion.

When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at FVTPL are recognised immediately in profit or loss. Trade receivable without a significant financing component is initially measured at the transaction price.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

— the financial asset is held within a business model whose objective is to collect contractual cash flows; and

— the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

— the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

— the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations ("**HKFRS 3**") applies.

A financial asset is held for trading if:

— it has been acquired principally for the purpose of selling in the near term; or

— on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significant reduces an accounting mismatch.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL include derivative financial asset and investments at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, loan receivables, amounts due from related companies, stakeholder's accounts, pledged bank deposits and bank balances), which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the borrower;

— a breach of contract, such as a default or past due event;

— the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets (Continued)

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

— the disappearance of an active market for that financial asset because of financial difficulties; or

— the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables from property management services, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivables in accordance with HKFRS 16.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status; and

- Nature, size and industry of debtors.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other than the convertible bonds as described below, the financial liabilities (including trade and other payables, amount due to a director, amounts due to related companies and borrowings) are subsequently measured at amortised cost, using the effective interest method.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds

Convertible bonds which entitle the holder to convert the notes into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of other derivative features embedded in the compound instruments that are not closely related to the host contract are separately accounted for. The difference between the fair value of the convertible bonds as a whole and the fair values assigned to the liability component and the separated embedded derivatives, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds equity reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability, derivative and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

GOVERNMENT GRANT

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

RELATED PARTIES

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of key management personnel of the Company or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: (i) That person's children and spouse or domestic partner; (ii) Children of that person's spouse or domestic partner; and (iii) Dependents of that person or that person's spouse or domestic partner.

6. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

The following is the critical judgement, apart from those involving estimations (which is dealt with separately below), that management of the Group has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded whether the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time or the carrying amounts of investment properties are recovered entirely through sale and decided whether to recognise any deferred taxes on changes in fair value of investment properties above cost.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify an investment property.

Provision of income tax

The Group is mainly subject to income taxes in Hong Kong and South Korea. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income tax as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated net realisable value on properties held for sale

In determining whether allowances should be made to the Group's properties held for sale, the Group takes into consideration the current market conditions to estimate the net realisable value (i.e. the actual or estimated selling price less estimated costs to complete and estimated costs necessary to make the sales). An allowance is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties held for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material allowances for impairment losses may result. As at 31 December 2020, the carrying amount of the properties held for sale was HK$2,733,814,000 (2019: HK$3,153,060,000).

Fair value of investment properties

As at 31 December 2020, investment properties were carried in the consolidated statement of financial position at aggregate fair value of HK$1,050,712,000 (2019: HK$1,105,381,000 (Restated)). The fair value was based on valuations on these properties conducted by independent qualified valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

Estimated impairment of loan receivables

Impairment of loan receivables is assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. Assessment are done based on the Group's historical credit loss experience, general economic conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan receivables are disclosed in notes 37 and 20, respectively. As at 31 December 2020, the carrying amount of loan receivables is HK$151,998,000 (2019: HK$187,665,000).

Fair value of financial instruments

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices.

7. REVENUE

	2020 HK$'000	2019 HK$'000 (Restated)
Revenue from contracts with customers		
Sales of properties	38,489	109,820
Provision of property management and security services	3,456	2,613
Construction and fitting out works	3,115	—
Trading of fine wine	8,463	8,386
Service income from media production services	1,353	1,342
	54,876	122,161
Revenue from other sources		
Rental income from leasing of:		
— investment properties	3,190	1,226
— service apartments	3,069	4,945
— storage and workshop	32,446	33,098
— wine cellar	6,104	5,978
Interest income from provision of finance	6,097	7,032
	50,906	52,279
Total revenue	105,782	174,440

7. REVENUE (Continued)

(I) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Segments	Property development		Provision of property management and security services		Wine business		Construction and fitting out works		Provision of media production services		Total	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Sales of properties:												
Workshop units in a revitalised industrial building	34,289	85,477	–	–	–	–	–	–	–	–	34,289	85,477
Workshop units in a newly rebuilt industrial building	4,200	24,343	–	–	–	–	–	–	–	–	4,200	24,343
	38,489	109,820	–	–	–	–	–	–	–	–	38,489	109,820
Provision of property management and security services	–	–	3,456	2,613	–	–	–	–	–	–	3,456	2,613
Construction and fitting out works	–	–	–	–	–	–	3,115	–	–	–	3,115	–
Trading of fine wine	–	–	–	–	8,463	8,386	–	–	–	–	8,463	8,386
Provision of media production services	–	–	–	–	–	–	–	–	1,353	1,342	1,353	1,342
Total	38,489	109,820	3,456	2,613	8,463	8,386	3,115	–	1,353	1,342	54,876	122,161
Geographical markets												
Hong Kong	38,489	109,820	3,456	2,613	8,463	8,386	3,115	–	1,353	1,342	54,876	122,161
Timing of revenue recognition												
A point in time	38,489	109,820	–	–	8,463	8,386	–	–	–	–	46,952	118,206
Over time	–	–	3,456	2,613	–	–	3,115	–	1,353	1,342	7,924	3,955
Total	38,489	109,820	3,456	2,613	8,463	8,386	3,115	–	1,353	1,342	54,876	122,161

7. REVENUE (Continued)

(II) PERFORMANCE OBLIGATIONS FOR CONTRACTS WITH CUSTOMERS

a) Property development — sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use.

Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 15% to 20% of the contract value as deposits from customers when they sign the sale and purchase agreement. Such deposits result in contract liabilities being recognised throughout the property construction period.

b) Provision of property management and security services

Revenue from provision of property management and security services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these property management and security services based on monthly statement issued using output method on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract.

c) Construction and fitting out works

Revenue from provision of construction and fitting out works is recognised as a performance obligation satisfied over time as the Group determines that the customer controls all the work in progress as the works are being conducted and the work in progress are being enhanced during the terms of the contracts. Revenue is recognised using output method according to value of the progress towards satisfaction of the performance obligation. Payment certificates are issued according to contractual terms and are usually payable within 30 days. Uninvoiced amounts are presented as contract assets.

d) Trading of fine wine

Revenue from sales of fine wine is recognised at a point in time when customers obtain control of the goods when the goods are delivered to the customer, and have been accepted. There is generally only one performance obligation. Sale invoices are issued to customers upon transfer of control of goods except for sales made through online platform. For sale through online platform, sale invoices are issued to customer when sale orders are confirmed. Payment is due upon presentation of sale invoice.

Discounts and other cash incentive to customers are accounted for as reduction of the transactions price.

7. REVENUE (Continued)

(II) PERFORMANCE OBLIGATIONS FOR CONTRACTS WITH CUSTOMERS (Continued)

e) Provision of media production services

The Group provides media production services in marketing, advertisement and organisation of music concerts.

Revenue from media production services is recognised over time as services are rendered. Revenue from providing these services is recognised using output method over the term of the fixed-price contract as the customer simultaneously receives and consumes the benefits provided.

Initial deposits are normally required before rendering the services. Service contracts are normally for a periods of one year or less, and are billed based on achievement of millstones.

(III) TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION FOR THE CONTRACTS WITH CUSTOMERS

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

8. OPERATING SEGMENTS

Information reported to the Company's executive directors, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

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

1. Property development — sales of properties
2. Property investment — rental income from leasing of properties
3. Provision of property management services — provision of property management and security services
4. Construction and fitting out works — provision of construction and fitting out works
5. Provision of finance — provision of financing services to the property buyers
6. Wine business — sales of fine wine and rental income from leasing of wine cellars
7. Media production services — provision of media production services in marketing, advertisement and organisation of music concerts

8. OPERATING SEGMENTS (Continued)

SEGMENT REVENUE AND RESULTS

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

	Segment revenue		Segment results	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Property development	**38,489**	109,820	**408,015**	27,075
Property investment	**38,705**	39,269	**(69,369)**	17,492
Provision of property management services	**3,456**	2,613	**(232)**	1,735
Construction and fitting out works	**3,115**	—	**273**	—
Provision of finance	**6,097**	7,032	**3,626**	1,935
Wine business	**14,567**	14,364	**163**	1,095
Media production services	**1,353**	1,342	**(838)**	122
	105,782	174,440	**341,638**	49,454
Unallocated income			**7,302**	339
Unallocated expenses			**(36,249)**	(14,854)
Finance costs			**(2,899)**	(2,150)
Profit before tax			**309,792**	32,789

Segment results represent the profit earned/(loss incurred) by each segment without allocation of certain other income, certain administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

8. OPERATING SEGMENTS (Continued)

SEGMENT ASSETS AND LIABILITIES

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

	2020 HK$'000	2019 HK$'000 (Restated)
Segment assets		
Property development	**2,822,413**	3,226,249
Property investment	**1,076,173**	1,101,367
Provision of property management services	**63**	1,066
Construction and fitting out works	**1,619**	—
Provision of finance	**152,359**	188,078
Wine business	**58,328**	64,458
Media production services	**759**	1,677
Total segment assets	**4,111,714**	4,582,895
Unallocated assets	**21,894**	22,236
Consolidated total assets	**4,133,608**	4,605,131
Segment liabilities		
Property development	**1,851,834**	2,622,199
Property investment	**615,212**	788,767
Provision of property management services	**3**	281
Construction and fitting out works	**5,454**	—
Provision of finance	**18,783**	86,698
Wine business	**65,401**	82,216
Media production services	**821**	1,651
Total segment liabilities	**2,557,508**	3,581,812
Unallocated liabilities	**162,420**	71,463
Consolidated total liabilities	**2,719,928**	3,653,275

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

— all assets are allocated to operating segments other than financial assets at FVTPL, 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, liability component of convertible bonds and other corporate liabilities not attributable to the reportable segments.

8. OPERATING SEGMENTS (Continued)

OTHER SEGMENT INFORMATION

For the year ended 31 December 2020

	Property development HK$'000	Property investment HK$'000	Provision of property management services HK$'000	Construction and fitting out works HK$'000	Provision of finance HK$'000	Wine business HK$'000	Media production services HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results or segment assets:										
Addition to non-current assets	–	15,434	–	150	–	212	97	15,893	–	15,893
Depreciation of plant and equipment	–	618	–	116	10	130	59	933	–	933
Depreciation of right-of-use assets	606	–	–	–	–	1,310	–	1,916	–	1,916
(Reversal of impairment loss)/impairment loss recognised on trade receivables	–	(525)	1,129	–	–	–	–	604	–	604
Loss on change in fair value of investment properties	–	69,838	–	–	–	532	–	70,370	–	70,370
Interest expense	7,790	10,793	–	–	1,480	1,285	–	21,348	2,899	24,247
Gain on change in fair value of financial assets at FVTPL	–	–	–	–	–	–	–	–	(5,219)	(5,219)
Amounts regularly provided to the CODM but not included in the measure of segment results:										
Interest income earned on bank balances	(509)	(32)	–	–	–	–	–	(541)	(124)	(665)

For the year ended 31 December 2019

	Property development HK$'000	Property investment HK$'000 (Restated)	Provision of property management services HK$'000	Provision of finance HK$'000	Wine business HK$'000 (Restated)	Media production services HK$'000 (Restated)	Segment total HK$'000 (Restated)	Unallocated HK$'000 (Restated)	Total HK$'000 (Restated)
Amounts included in the measure of segment results or segment assets:									
Addition to non-current assets	2,082	116,374	–	–	1,230	100	119,786	420	120,206
Depreciation of plant and equipment	–	448	–	10	422	101	981	34	1,015
Depreciation of right-of-use assets	455	1,311	–	–	–	–	1,766	–	1,766
Impairment loss recognised on trade receivables	–	372	–	–	–	–	372	–	372
Gain on fair value of investment properties	–	(16,610)	–	–	(1,576)	–	(18,186)	–	(18,186)
Gain on disposal of property, plant and equipment	–	–	–	–	–	(156)	(156)	(4)	(160)
Interest expense	12,282	18,081	–	4,812	1,956	–	37,131	2,150	39,281
Loss on change in fair value of financial assets at FVTPL	–	–	–	–	–	–	–	1,027	1,027
Amounts regularly provided to the CODM but not included in the measure of segment results:									
Interest income earned on bank balances	(181)	(65)	–	(1)	–	–	(247)	(187)	(434)

8. OPERATING SEGMENTS (Continued)

GEOGRAPHICAL INFORMATION

The Group's operations are located in both Hong Kong and Korea.

The Group's revenue is all derived from operations in Hong Kong. No revenue is derived from Korea in both years.

The Group's non-current assets (excluded financial instruments and deferred tax assets) by geographical location of the assets are detailed below.

	2020	2019
	HK$'000	HK$'000
		(Restated)
Hong Kong	**979,472**	1,051,030
Korea	**77,240**	62,497
	1,056,712	1,113,527

INFORMATION ABOUT MAJOR CUSTOMERS

For the year ended 31 December 2020, there are two (2019: seven) customers with transactions have exceeded 10% of the Group's revenue. These transactions are all related to sales of properties. Revenue from customers of the current year contributing over 10% of the total sales of the Group are as follows:

	2020	2019
	HK$'000	HK$'000
Customer A	**N/A**	17,309
Customer B	**N/A**	13,421
Customer C	**N/A**	13,338
Customer D	**N/A**	12,251
Customer E	**N/A**	12,225
Customer F	**N/A**	11,626
Customer G	**N/A**	11,500
Customer H	**12,452**	N/A
Customer I	**12,359**	N/A

9. OTHER INCOME

	2020 HK$'000	2019 HK$'000 (Restated)
Interest income earned on bank balances	665	434
Temporary rental income from properties held for sale (Note (i))	10,049	6,927
Government grants from Employment Support Scheme (Note (ii))	1,334	—
Exchange gains, net	10,330	333
Others	1,778	1,398
	24,156	9,092

Notes:

(i) *The Group recognised temporary rental income from its properties held for sale of HK$10,049,000 (2019: HK$6,927,000) under other income. The income is derived from operating leases that leasing out its properties held for sale on a temporary basis before sale which are fixed or variable lease payments based on turnover of tenants. The Group has delegated a team responsible for assessing, accepting new tenants and monitoring rental payment from those tenants.*

(ii) *The government grants are obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specific period of time. The Group does not have other unfulfilled obligations relating to this program.*

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000 (Restated)
Interests on:		
Borrowings	82,857	114,902
Advance from a director	1,121	497
Interest on lease liabilities	3,351	4,208
Imputed interest on convertible bonds	1,128	—
Total borrowing costs	88,457	119,607
Less: amount capitalised in cost of qualifying assets	(64,210)	(80,326)
	24,247	39,281

Borrowing costs capitalised at rate ranging from 2.33% to 5.0% (2019: 2.70% to 5.48%) per annum during the year arose on the specific and general borrowings for the expenditure on each property development.

11. PROFIT BEFORE TAX

	2020 HK$'000	2019 HK$'000 (Restated)
Profit before tax has been arrived at after charging/(crediting):		
Directors' emoluments	**14,698**	9,218
Other staff costs, excluding directors' emoluments:		
Salaries and other allowances	**13,977**	10,427
Retirement benefit scheme contributions	**637**	330
Total staff costs	**29,312**	19,975
Less: capitalised in properties held for sale	**(3,679)**	(3,624)
	25,633	16,351
Auditor's remuneration		
— Audit services	**1,448**	1,077
— Non-audit services	**—**	430
Cost of inventories recognised as an expense	**24,776**	58,011
Depreciation of property, plant and equipment	**933**	1,015
Depreciation of right-of-use assets	**1,916**	1,766
Direct operation expenses incurred for provision of services and properties leasing (included in cost of sales and services)	**10,073**	9,725
Impairment loss recognised on trade receivables	**604**	372
Property agency commission (included in selling expenses)	**3,148**	5,963
Gain on disposal of property, plant and equipment	**—**	(160)
Gross rental income from investment properties	**(44,809)**	(45,247)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	**2,975**	3,557
	(41,834)	(41,690)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

DIRECTORS

The emoluments of the directors of the Company including the amount paid or payable by the group entities for their services provided to the Group are as follows:

	2020 HK$'000	2019 HK$'000
Fees	480	480
Salaries, commission and other allowances	5,149	4,776
Discretionary bonuses	9,000	3,902
Retirement benefit scheme contributions	69	60
Total	14,698	9,218

Directors' and executives' emoluments for the year, disclosed pursuant to application Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	2020					2019				
	Fees HK$'000	Salaries, commission and other allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000	Fees HK$'000	Salaries, commission and other allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
A) Executive directors:										
Mr. Chan Man Fai Joe (chief executive)	–	2,518	5,000	15	7,533	–	2,100	–	6	2,106
Mr. Liu Hon Wai	–	531	1,000	18	1,549	–	540	602	18	1,160
Ms. Cheung Wai Shuen	–	920	2,000	18	2,938	–	936	–	18	954
Mr. Pong Kam Keung	–	1,180	1,000	18	2,198	–	1,200	3,300	18	4,518
	–	5,149	9,000	69	14,218	–	4,776	3,902	60	8,738
B) Non-executive directors:										
Dr. Wong Wai Kong (note (b))	113	–	–	–	113	N/A	N/A	N/A	N/A	N/A
Mr. Yim Kwok Man	120	–	–	–	120	120	–	–	–	120
	233	–	–	–	233	120	–	–	–	120

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

DIRECTORS (Continued)

	2020					2019				
	Fees	Salaries, commission and other allowances	Discretionary bonuses	Retirement benefit scheme contributions	Total	Fees	Salaries, commission and other allowances	Discretionary bonuses	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
C) Independent non-executive directors:										
Mr. Shiu Siu Tao (note (a))	7	–	–	–	7	120	–	–	–	120
Mr. Lee Chung Ming Eric	120	–	–	–	120	120	–	–	–	120
Ms. Chan Wah Man Carman	120	–	–	–	120	120	–	–	–	120
	247	–	–	–	247	360	–	–	–	360
Total	480	5,149	9,000	69	14,698	480	4,776	3,902	60	9,218

* *The salaries and other allowance of Mr. Joe Chan has included the director's quarter expenses of HK$600,000 (2019: HK$1,980,000) for the year ended 31 December 2020.*

Notes:

(a) *On 24 January 2020, Mr. Shiu Siu Tao resigned as an independent non-executive director of the Company.*

(b) *On 24 January 2020, Dr. Wong Wai Kong was appointed as an independent non-executive director of the Company.*

The discretionary bonuses are determined with reference to the performance of sales of properties for the relevant years of the group entities.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments and independent non-executive directors' emoluments shown above were for their services as director of the Company.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

EMPLOYEES

Of the five individuals with the highest emoluments in the Group, four (2019: three) are directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2019: two) individual for the year ended 31 December 2020 are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and other allowances	**1,020**	925
Discretionary bonuses	**500**	1,369
Retirement benefit scheme contributions	**18**	17
	1,538	2,311

The number of the highest paid individuals who are not the directors of the Company whose emoluments fell within the following bands is as follows:

	2020 **No. of** **employees**	2019 No. of employees
HK$1,000,001-HK$1,500,000	**—**	2
HK$1,500,001-HK$2,000,000	**1**	—
	1	2

13. DIVIDENDS

	2020 **HK$'000**	2019 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 Interim — HK2.0 cents (2019: 2019 interim — Nil) per share	**12,830**	—
2019 Final — HK0.2 cents (2019: 2018 final dividend of HK15.5 cents) per share	**1,283**	99,432
	14,113	99,432

13. DIVIDENDS (Continued)

The board of directors of the Company does not recommend the payment of final dividend for the year ended 31 December 2020.

During the year ended 31 December 2019, Metropolitan Group made a dividend payment of HK$3,430,000 to the equity owner.

14. INCOME TAX EXPENSE

	2020 **HK$'000**	2019 HK$'000 (Restated)
Hong Kong Profits Tax:		
— Current tax	**1,877**	7,006
— Underprovision in prior years	**1,631**	—
Deferred taxation	**3,495**	3,749
	7,003	10,755

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

The group entities in South Korea are subject to Korean Corporate Income Tax which comprises national and local taxes (collectively "**Korean Corporate Income Tax**"). Korean Corporate Income Tax is charged at the progressive rate from 11% to 24.2% on the estimated assessable profit of eligible entities derived worldwide. No provision on Korean Corporate Income Tax has been provided as there is no estimated assessable profits during both years.

14. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled from the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Profit before tax	309,792	32,789
Tax at Hong Kong Profits Tax Rate of 16.5%	51,116	5,410
Tax effect of expenses not deductible for tax purpose	3,356	526
Tax effect of other taxable temporary differences not recognised	704	1,188
Tax effect of income not taxable for tax purpose	(56,829)	(3,506)
Tax effect of tax losses not recognised	6,331	7,649
Utilisation of tax losses previously not recognised	(489)	(345)
Income tax at concessionary rate	—	(167)
Underprovision in prior years	1,631	—
Others	1,183	—
Income tax expense for the year	7,003	10,755

15. EARNINGS PER SHARE

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

	2020 HK$'000	2019 HK$'000 (Restated)
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**306,936**	23,662
Effect of dilutive potential ordinary shares:		
— Fair value change on redemption derivative component	**(4,821)**	—
— Interest on convertible bonds (net of tax)	**1,128**	—
Profit for the purpose of diluted earnings per share	**303,243**	23,662

	'000	'000
Number of share		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**641,498**	638,501
Effect of dilutive potential ordinary shares:		
— Outstanding share options issued by the Company *(Note)*	**—**	—
— Convertible bonds	**162,175**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**803,673**	638,501

Note:

The computation of diluted earnings per share during the years ended 31 December 2020 and 2019 does not assume the exercise of the Company's all share options because the exercise price of those options was higher than the average market price for shares for the years ended 31 December 2020 and 2019.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties for own use (Note 17) HK$'000	Leasehold improvements HK$'000	Office equipment and furniture HK$'000	Total HK$'000
COST				
At 1 January 2019 (Restated)	5,458	—	6,513	11,971
Additions	1,822	272	1,185	3,279
Disposals	—	—	(836)	(836)
At 31 December 2019 (Restated)	7,280	272	6,862	14,414
Additions	—	—	703	703
At 31 December 2020	7,280	272	7,565	15,117
ACCUMULATED DEPRECIATION:				
At 1 January 2019	—	—	4,146	4,146
Provided for the year	1,766	208	807	2,781
Eliminated upon disposals	—	—	(659)	(659)
At 31 December 2019	1,766	208	4,294	6,268
Provided for the year	1,916	9	924	2,849
At 31 December 2020	3,682	217	5,218	9,117
CARRYING VALUES				
At 31 December 2020	3,598	55	2,347	6,000
At 31 December 2019	5,514	64	2,568	8,146

The property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives, as follows:

Leasehold properties for own use	Over the lease term
Leasehold improvements	10%-20% per annum
Office equipment and furniture	10%-50% per annum

17. LEASES

THE GROUP AS A LESSEE

The Group owns interests in medium-term leasehold land and buildings in Hong Kong for property development and property leasing purpose and are included in the line items as properties held for sale and investment properties respectively. Lump sum payments were made upfront when these leasehold land and buildings were acquired.

Apart from this, the Group leases a number of properties for office premises and sub-leasing purpose which generally have a lease terms of three to six years. The lease payments are fixed and there are no renewal options, variable lease payments nor restrictions or covenants included in these lease agreements. However, extension options are included in certain property leases of the Group. Periods covered by the extension options were included in the lease terms as the Group was reasonably certain to exercise the options.

Among the above properties leases, there are three lease agreements and one lease agreement entered by the Group with a company owned by a director of a subsidiary of the Company and Mr. Joe Chan respectively for the use of office premises located in South Korea and Hong Kong. The leases have initial terms of three years.

The Group also regularly entered into short-term leases for director's quarter, office premises and motor vehicle. The Group does not recognise right-of-use assets and lease liabilities in regard of these short-term leases. The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease terms. As at 31 December 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term leases expense disclosed in note 40.

(i) Right-of-use assets

	2020 **HK$'000**	2019 HK$'000 (Restated)
Included in "Property, plant and equipment" — Properties leased for own use	**3,598**	5,514
Included in "investment properties" at fair value:		
— Ownership interests in leasehold investment properties	**930,763**	987,960
— sub-leasing of leased properties under operating leases	**42,709**	56,291
	977,070	1,049,765

As at 31 December 2020 and 2019, the right-of-use assets represented properties leased for own use carried at depreciated costs and for leasing or sub-leasing purposes carried at fair value and are included in the line items as property, plant and equipment and investment properties respectively.

17. LEASES (Continued)

THE GROUP AS A LESSEE (Continued)

(ii) Lease liabilities

	2020 **HK$'000**	2019 HK$'000 (Restated)
At 1 January	**55,943**	68,680
New leases	**3,322**	1,822
COVID-19-related rent concessions from lessors	**(1,012)**	—
Lease payments	**(16,825)**	(18,767)
Interest expenses	**3,351**	4,208
At 31 December	**44,779**	55,943

The present value of future lease payments are analysed as:

	2020 **HK$'000**	2019 HK$'000 (Restated)
Current liabilities	**13,229**	13,786
Non-current liabilities	**31,550**	42,157
	44,779	55,943

(iii) Other information

	2020 **HK$'000**	2019 HK$'000 (Restated)
Short-term lease expenses	**824**	2,142
Aggregate operating lease commitment of short-term leases	**60**	250

17. LEASES (Continued)

THE GROUP AS A LESSOR

As detailed in note 18, the Group leases its investment properties consisting of carpark spaces, commercial, residential and industrial properties and farmland in Hong Kong or Korea under operating lease arrangements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future period under non-cancellable operating leases with its tenants are as follows:

	2020 **HK$'000**	2019 HK$'000 (Restated)
Within one year		
After one year but within two years	**14,996**	11,242
After two years but within three years	**9,077**	9,902
After three years but within four years	**6,023**	3,784
After four years but within five years	**988**	2,700
After five years	**—**	521
	31,084	28,149

18. INVESTMENT PROPERTIES

(I) RECONCILIATION OF CARRYING AMOUNT

	Carpark spaces HK$'000	Leasehold properties HK$'000	Freehold properties HK$'000	Total HK$'000
At 1 January 2019 (Restated)	13,470	965,051	—	978,521
Additions	—	5,472	62,075	67,547
Acquired on acquisition of a subsidiary *(note 32)*	—	49,380	—	49,380
Disposals	(8,253)	—	—	(8,253)
Fair value (loss)/gain	(217)	19,348	(945)	18,186
At 31 December 2019 (Restated) and 1 January 2020	5,000	1,039,251	61,130	1,105,381
Additions	—	4,498	10,692	15,190
Disposals	(3,660)	—	—	(3,660)
Fair value (loss)/gain	(1,340)	(70,277)	1,247	(70,370)
Exchange realignment	—	—	4,171	4,171
At 31 December 2020	—	973,472	77,240	1,050,712

The Group leases out its interests in leasehold properties including carpark spaces, commercial, residential and industrial properties and farmland, and sub-leases a number of leased commercial properties under operating leases with rentals payable monthly.

The leases run for an initial period of 1 month to 6 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.

These investment properties are mainly located in Hong Kong.

As at 31 December 2020, the Group's investment properties with carrying amount of approximately HK$941,903,000 (2019: HK$914,285,000 (Restated)) have been pledged to secure bank borrowings granted to the Group. Details are set out in note 28.

18. INVESTMENT PROPERTIES (Continued)

(II) FAIR VALUE MEASUREMENT

The fair value of the Group's investment properties is a level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving the fair value. There were no transfers into or out of level 3 for both years presented.

In the opinion of the director, reconciliation on level 3 fair value measurement between the years represents fair value changes on the investment properties.

The fair value of the Group's investment properties at the end of the reporting period have been arrived at on market value basis carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") (2019: JLL and Prudential Surveyors (Hong Kong) Limited), independent firms of professionally qualified valuers, on an open market basis, who hold a recognised and relevant professional qualification and have recent experience in the locations and category of the investment properties being valued.

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties as at 31 December 2020 and 31 December 2019:

Investment properties	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Commercial properties	Direct comparison approach	Recent market asking price of comparables, taken into account of the discount on asking price and size between the subject properties and the comparables, ranging from HK$3,457 to HK$142,857 (2019: HK$6,000 to HK$164,000) per square feet.	The higher the asking price, the higher the fair value
Residential properties	Income capitalisation approach	Net rental income derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, range from HK$43 to HK$55 (2019: HK$44 to HK$61) which have been then capitalised to determine the market value at an appropriate capitalisation rate, range from 2.34% to 2.8% (2019: 2.45% to 2.8%).	The higher the unit monthly rent, the higher the fair value; The higher the reversionary yield, the lower the fair value.

18. INVESTMENT PROPERTIES (Continued)

(II) FAIR VALUE MEASUREMENT (Continued)

Investment properties	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	Direct comparison approach	Recent market asking price of comparables, taken into account of the discount on asking price and size between the subject properties and the comparables, ranging from HK$16,224 to HK$85,642 (2019: HK$16,000 to HK$29,000) per square meter.	The higher the asking price, the higher the fair value
Farmland	Direct comparison approach	Recent market asking price of comparables, taken into account of the discount on asking price and size between the subject properties and the comparables, ranging from HK$311 to HK$949 (2019: HK$408 to HK$718) per square feet.	The higher the asking price, the higher the fair value
Carpark spaces	Direct comparison approach	2019: from HK$1,325,000 to HK$2,588,000, taking into account of locations	The higher the market unit sale rate, the higher the fair value
Industrial properties	Direct comparison approach	Sale rate from HK$4,996 to HK$7,335 (2019: HK$11,170 to HK$13,434) per square feet.	The higher the market unit sale rate, the higher the fair value
Commercial properties under sub-leasing arrangement	Income capitalisation approach	Recent market asking price of comparables, taken into account of the discount on asking price and size between the subject properties and the comparables, ranging from HK$7 to HK$24.2 (2019:HK$6 to HK$23) per square feet.	The higher the asking price, the higher the fair value

There were no changes to the valuation techniques during both years.

19. DEFERRED TAXATION

The following are the major deferred tax (liabilities)/assets recognised and movements thereon during the current and prior years:

	Fair value gain on investment properties HK$'000	Depreciation allowance HK$'000	Total HK$'000
At 1 January 2019 (Restated)	(48,703)	441	(48,262)
(Charged)/Credit to profit or loss	(4,272)	523	(3,749)
At 31 December 2019 (Restated)	(52,975)	964	(52,011)
Charged to profit or loss	(2,344)	(1,151)	(3,495)
At 31 December 2020	(55,319)	(187)	(55,506)

For the purpose of measuring deferred tax liabilities 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 on two investment properties are not rebutted. As a result, the Group does not recognise deferred tax on changes in fair value of that investment properties as the Group is not subject to any income taxes on disposal of the investment properties.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 HK$'000	2019 HK$'000 (Restated)
Deferred tax assets	**–**	1,085
Deferred tax liabilities	**(55,506)**	(53,096)
	(55,506)	(52,011)

As at 31 December 2020, the Group has unutilised tax losses of HK$217,252,000 (2019: HK$205,304,000 (Restated)) and other deductible temporary differences of HK$9,419,000 (2019: HK$5,389,000 (Restated)) available for offset against future profits. No deferred tax asset has been recognised for such tax losses and other deductible temporary differences due to the unpredictability of future profit streams in the respective entities. Such tax losses may be carried forward indefinitely.

20. LOAN RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Variable-rate loan receivables *(Note)*	**151,998**	187,665
Analysis as:		
— Non-current portion	**128,591**	164,766
— Current portion *(note 23)*	**23,407**	22,899
Total	**151,998**	187,665

Note:

As at 31 December 2020, the balance included:

(i) *loan receivable amounting to HK$87,000 (2019: HK$186,000), which is secured by the property unit of a borrower, interest bearing at Hong Kong Prime Lending 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$10,027,000 (2019: HK$7,350,000), which are secured by the property units of a borrower, interest bearing at Hong Kong Prime Lending Rate quoted by the lending bank. The principal amounts will be fully repaid at the respective maturity dates;*

(iii) *loan receivables amounting to HK$129,689,000 (2019: HK$170,334,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong Prime Lending Rate quoted by the lending bank minus 1.75% per annum. The principal amounts will be fully repaid at the respective maturity dates;*

(iv) *loan receivable amounting to HK$9,795,000 (2019: HK$9,795,000), which is secured by the property unit of a borrower and interest bearing at Hong Kong Prime Lending Rate quoted by the lending bank minus 2% per annum. The principal amount started to be repaid in September 2019 in accordance with the repayment schedules; and*

(v) *loan receivable amounting to HK$2,400,000 (2019: Nil), which is secured by the property unit of a borrower and interest bearing at Hong Kong Prime Lending Rate quoted by the lending bank plus 1.75% per annum. The principal amount will start to be repaid in May 2021 in accordance with the repayment schedules.*

20. LOAN RECEIVABLES (Continued)

Loans are provided to borrowers at a range of 60% to 80% (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 as at 31 December 2020 and 2019.

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

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

	2020 HK$'000	2019 HK$'000 (Restated)
Variable-rate loan receivables		
Within one year	**23,407**	22,899
In more than one year but not more than two years	**18,526**	21,597
In more than two years but not more than five years	**52,171**	57,500
More than five years	**57,894**	85,669
	151,998	187,665

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

	2020	2019
Effective interest rate:		
— Variable-rate loan receivables	**3.25% to 7.0%**	3.5% to 7.125%

Before accepting any new borrower, the Group management would assess the potential borrower's credit quality and define credit limits by borrower. Certain well established credit policies (i.e. reviewing property buyers' 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 are provided to potential borrowers on a case-by-case basis depending on the credit quality assessment and collaterals provided by the respective customers.

Details of impairment assessment of loan receivables are set out in note 37.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2020 HK$'000	2019 HK$'000
Equity securities listed in Hong Kong	(a)	—	460
Unlisted investment fund	(b)	4,589	4,600
Unlisted participation note	(c)	1,519	1,519
Derivative financial instrument — redemption option	(d)	35,590	—
Total		41,698	6,579
Classified as:			
Financial assets at FVTPL:			
— Non-current		6,108	6,119
— Current		35,590	460
		41,698	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 year ended 31 December 2020, the Group has recognised a fair value gain of HK$409,000 (2019: loss of HK$758,000) in respect of the fair value changes in the profit or loss. The investments were disposed of during the year.*

(b) *The Group subscribed an unlisted private equity fund at cost of HK$5,000,000, representing 10% of the total fund size in previous years. The Group has recognised a fair value loss of HK$11,000 (2019: HK$269,000) in respect of the fair value change in the profit or loss. The fair value of this unlisted fund investment is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.*

(c) *As at 31 December 2020, the unlisted participation note is at a fair value of HK$1,519,000 (2019: HK$1,519,000). No change in fair value has been recognised in the profit or loss (2019: Nil). The fair value of this unlisted participation note is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.*

(d) *The balance represents the redemption option component in relation to the convertible bonds (Note 29). The Group has recognised a fair value gain of HK$4,821,000 (2019: Nil) in respect of the fair value change in profit or loss.*

22. INVENTORIES AND PROPERTIES HELD FOR SALE

	2020	2019
	HK$'000	HK$'000
		(Restated)
Inventories		
Finished goods — wine products	**9,094**	9,319
Properties held for sale *(Note)*		
— Properties under development	**2,284,740**	2,684,971
— Completed properties	**449,074**	468,089
	2,733,814	3,153,060
Properties to be realised after one year	**1,870,753**	2,104,259

Note:

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.

As at 31 December 2020, properties held for sale with aggregated amount of HK$2,733,814,000 (2019: HK$3,153,060,000) have been pledged to secure bank borrowings granted to the Group set out in note 28.

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.

23. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000 (Restated)
Trade receivables from contracts with customers	2,126	1,198
Lease receivables	2,727	4,349
	4,853	5,547
Less: Allowance for credit losses	(1,166)	(562)
	3,687	4,985
Deposits and other receivables, and prepayments		
— Loan receivables *(note 20)*	23,407	22,899
— Loan interest receivables	242	300
— Rental deposits and other receivables	13,439	22,878
— Prepayments	8,151	1,651
	45,239	47,728
	48,926	52,713

Customers from trading of fine wine are granted with credit term of 7 days. No credit term is allowed for trade receivables from property management and security services, construction and fitting out works, media production services and lease receivables.

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

	2020 HK$'000	2019 HK$'000 (Restated)
0-30 days	1,941	3,803
31-90 days	1,254	511
91-180 days	408	320
181-365 days	50	92
Over 365 days	34	259
	3,687	4,985

23. TRADE AND OTHER RECEIVABLES (Continued)

The ageing of trade and lease receivables (net of allowance for credit losses) which are past due but not impaired is as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
0 - 30 days past due	**1,941**	1,374
31 - 90 days past due	**1,254**	518
Over 90 days past due	**492**	1,184
	3,687	3,076

The Group recognised impairment loss on trade and lease receivables based on accounting policy stated in note 5.

The following table reconciles the impairment loss of trade receivables arising from contracts with customers and lease receivables for the year:

	2020 HK$'000	2019 HK$'000 (Restated)
At 1 January	**562**	190
Impairment loss recognised during the year	**604**	372
At 31 December	**1,166**	562

Details of impairment assessment of trade and lease receivables, rental deposits and other receivables are set out in note 37.

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

The amounts comprise stakeholder's accounts which are held by independent intermediaries for collecting sales receipts on the Group's behalf or retention payments for construction projects. The amounts are interest bearing at prevailing market interest rate of 0.001% to 0.201% per annum (2019: 0.001% to 1.65% per annum).

Pledged bank deposits represent bank deposits pledged to a bank for securing banking facilities grant to the Group set out in note 28.

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 interest at market rates which are as follows:

	2020	2019
Range of interest rate per annum:		
Bank balances	**0.001% — 0.01%**	0.001% — 0.01%

Details of impairment assessment of stakeholder's accounts, pledged bank deposits and bank balances are set out in note 37.

25. TRADE AND OTHER PAYABLES

	2020 **HK$'000**	2019 HK$'000 (Restated)
Retention payables *(Note)*	**11,363**	17,721
Trade payables	**—**	650
Other payables, deposits received and accruals		
— Rental deposits received	**16,293**	12,824
— Accrued construction costs	**46,103**	53,157
— Accrued bonus	**—**	4,096
— Accrued agency commission	**1,918**	1,435
— Accrued management fees	**1,407**	2,002
— Accrued legal and professional fees	**12,814**	8,515
— Interest payables	**6,493**	6,659
— Receipt in advance of rental income	**10,566**	3,270
— Others	**13,277**	15,461
	120,234	125,790

Note:

As at 31 December 2020, retention payables amounting to HK$10,850,000 (2019: HK$7,366,000) is aged within one year while the remaining amount of HK$513,000 (2019: HK$10,355,000) is aged one to two years. All retention payables as at 31 December 2020 and 2019 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

Average credit period granted to the Group is 60 to 90 days (2019: 60 to 90 days (Restated)). Aging analysis of trade payables based on the invoice date (or date of cost recognition, if earlier) as the respective period ends is as follows:

	2020 **HK$'000**	2019 HK$'000 (Restated)
0-30 days	**—**	102
31-60 days	**—**	—
61-90 days	**—**	—
91-120 days	**—**	—
More than 120 days	**—**	548
	—	650

26. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000 (Restated)
Sales of properties *(Note)*	**28,197**	293
Sale of fine wine	**5,836**	5,656
	34,033	5,949

SALE OF PROPERTIES

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. 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.

TRADING OF FINE WINE

The contract liabilities relate to advance payments received from customers in respect of the sale of wine products. This received in advance is recognised as contract liabilities until the wine products are controlled by the customers.

Movements of the Group's contract liabilities are set out as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Balance as at beginning of year	**5,949**	4,543
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(3,896)**	(6,210)
Increase in contract liabilities as a result of receiving advance from the customers while the goods/properties have not yet transferred to the customer	**31,980**	7,616
Balance as at end of year	**34,033**	5,949

27. AMOUNTS DUE FROM/TO RELATED COMPANIES/A DIRECTOR/AN EQUITY OWNER

The amounts due from/to related companies are interest-free, unsecured and repayable on demand. As at 31 December 2020, a director of the Company has significant influence over the related companies.

Particulars of amount due from related companies are disclosed as follows:

	2020 HK$'000	2019 HK$'000	Maximum outstanding amount during 2020 HK$'000
Vogue Town Limited	10,459	—	10,459
Vogue City Limited	4,161	—	4,161
Other related companies	93	—	143
	14,713	—	14,763

The amount due to a director is a short-term loan and is unsecured, interest bearing at 4.5% per annum and repayable on demand.

The amount due to an equity owner represented amount owing to the Vendor by Metropolitan Group which was interest-free, unsecured and repayable on demand. Upon the Completion, such amount was fully settled according to the Acquisition Agreement. Details of which are set out in note 30(ii).

28. BORROWINGS

	2020 **HK$'000**	2019 HK$'000 (Restated)
Bank borrowings	**2,320,491**	3,120,233
Scheduled payment terms of borrowings contain a repayment on demand clause (shown under current liabilities):		
— Within one year	**1,467,681**	2,387,051
— In more than one year but not more than two years	**573,616**	202,062
— In more than two years but not more than five years	**200,708**	442,669
— More than five years	**78,486**	88,451
Total	**2,320,491**	3,120,233

28. BORROWINGS (Continued)

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

	2020	2019
	HK$'000	HK$'000
		(Restated)
Variable-rate borrowings:		
Within one year	**1,311,886**	2,188,795
In more than one year but not more than two years	**573,616**	202,062
In more than two years but not more than five years	**200,708**	442,669
More than five years	**78,486**	88,451
	2,164,696	2,921,977
Fixed-rate borrowings:		
Within one year	**155,795**	198,256
	2,320,491	3,120,233

The Group's variable-rate borrowings carry interest at Hong Kong Interbank Offered Rate ("**HIBOR**") and Hong Kong Prime Lending Rate.

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

	2020	2019
		(Restated)
Effective interest rates:		
— Fixed-rate borrowings	**3.25% – 5.00%**	2.96% – 3.5%
— Variable-rate borrowings	**2.50% – 4.91%**	2.25% – 4.6%

28. BORROWINGS (Continued)

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

	2020 HK$'000	2019 HK$'000 (Restated)
Properties held for sale		
— Under development for sales	**2,284,740**	2,684,971
— Completed	**449,074**	468,089
	2,733,814	3,153,060
Investment properties		
— Carpark spaces	**—**	5,000
— Properties	**941,903**	909,285
	941,903	914,285
Pledged bank deposits	**10,381**	10,257
Total	**3,686,098**	4,077,602

Certain banking facilities of the Group are subject to the fulfilment 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 31 December 2020 and 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 COVID-19 during the reporting period to the Group's bank borrowings.

29. CONVERTIBLE BONDS

Pursuant to the Acquisition mentioned in note 2, on 22 October 2020, the Company issued 3% convertible bonds with nominal value of HK$418,000,000. The convertible bonds are perpetual in term and have no maturity date with a principal amount denominated in HK$ of HK$418,000,000 as part of the consideration for the Acquisition. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK$0.5 per conversion share (subject to the adjustments in accordance with the terms of the convertible bonds) at any time during the period commencing from the date of issue of the convertible bonds up to the date which falls on the 10th anniversary of the date of issue of the convertible bonds to the extent all or part of the convertible bonds remain outstanding.

The coupon shall accrue on the outstanding principal amount of the convertible bonds and be payable annually subject to the Company's sole discretion to defer the coupon payment for a maximum period of 10 years from the date when the relevant coupon payment fall due by giving notice to the holders of the convertible bonds. In the opinion of directors, the liability component of the convertible bonds are regarded as non-current liabilities.

The convertible bonds that contain liability, redemption option and conversion option components were classified separately into their respective items on initial recognition. The fair value of various components are determined based on the valuation conducted by JLL at the Completion date (i.e. 22 October 2020). The fair value of the convertible bonds as a whole of HK$357,601,000 is determined by using the Binomial Option Pricing Model. The fair value of the liability component of the convertible bonds is calculated using cash flows discounted at a rate based on an equivalent market interest rate for equivalent non-convertible bonds. The fair value of the redemption option is determined by the difference between the fair value of equivalent convertible bonds with redemption option and without redemption option.

The initial carrying amount of the equity component is determined by deducting the fair values of the liability and redemption option components from the fair value of the convertible bonds as a whole and is included in equity as convertible bonds — equity component.

The effective interest rate of the liability component on initial recognition and the subsequent recognition of interest expense on the convertible bonds was calculated using effective interest rate of 7.87% per annum.

There was no redemption and conversion of the convertible bonds since its issuance.

29. CONVERTIBLE BONDS (Continued)

The movements of the components of the convertible bonds during the year are set out below:

	Redemption derivative component HK$'000	Liability component HK$'000	Equity component HK$'000	Total HK$'000
As at 22 October 2020	**30,769**	**(74,672)**	**(313,698)**	**(357,601)**
Effective imputed interest expense recognised	**–**	**(1,128)**	**–**	**(1,128)**
Change in fair value	**4,821**	**–**	**–**	**4,821**
As at 31 December 2020	**35,590**	**(75,800)**	**(313,698)**	**(353,908)**

The fair value measurement of the redemption option derivative component is a Level 3 fair value measurement.

The major inputs for the valuation of the fair value of the redemption option derivative component of the convertible bonds as at issue date and 31 December 2020 are as follows:

	At 31 December 2020	At issue date
Share price	**0.400**	0.415
Conversion price	**HK$0.5**	HK$0.5
Risk-free rate	**0.95%**	0.77%
Volatility	**66.96%**	63.88%

30. SHARE CAPITAL AND RESERVES

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

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2019	627,200,000	6,272
Exercise of share options	14,298,000	143
At 31 December 2019 and 31 December 2020	641,498,000	6,415

30. SHARE CAPITAL AND RESERVES (Continued)

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

Movements of the reserves of the Group and the Company are set out in the consolidated statement of changes in equity and note 42 respectively.

Notes on reserves of the Group:

(i) On 13 July 2016, Mr. Joe Chan 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.

(ii) Merger reserve as at 31 December 2020 amounting to HK$150,227,000 arose upon completion of the Acquisition as mentioned in note 2. On 22 October 2020, pursuant to the Acquisition Agreement, the Company issued convertible bonds (note 29) with principal amount of HK$418 million as consideration partial consideration for the Acquisition. As mentioned in note 2, the Acquisition is accounted for by applying principles of merger accounting in accordance with AG 5 as the Company and Metropolitan were under the common control of Mr. Joe Chan. According to AG 5, no amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests. Accordingly, upon completion of the Acquisition, the difference arising from the acquisition of the Sale Share and Sale Loan, being the aggregate consideration given by the Company for the acquisition of the Sale Share and Sale loan as adjusted for the elimination of the share capital of Metropolitan, is accounted for in equity as merger reserve. Details of merger reserve arising from the Acquisition completed on 22 October 2020 are as follows:

	HK$'000
Cash consideration	42,000
Fair value of convertible bonds issued (Note 29)	
— Fair value of liability component	74,672
— Fair value of redemption derivative component	(30,769)
— Fair value of equity component	313,698
Total consideration at fair value	399,601
Less: consideration for the Sales Loan at 22 October 2020	(249,374)
Consideration for the Sale Share at fair value	150,227
Less: elimination of the share capital of Metropolitan	—
Merger reserve	150,227

Merger reserve as at 31 December 2019 amounting to HK$20,000 represented the aggregate amount of paid-up capital of the holding companies in Metropolitan Group now comprising the Group.

31. 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.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed either (i) 30% of the issued share capital of the Company from time to time or (ii) 10% of the issued share capital of the Company as at the 13 July 2016 (without taking into account the shares which may be issued and allotted pursuant to the exercise of the over-allotment option and the options which may be or have been granted under the Share Option Scheme) (the "**Existing Scheme Mandate Limit**") 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.

According to the Company's announcement dated 11 December 2020, up to that date, an aggregate of 80,250,288 share options have been granted by the Company under the Share Option Scheme. This would result in the total number of shares which may be issued upon exercise of all share options granted under the Share Option Scheme, in aggregate, to exceed the Existing Scheme Mandate Limit of 22,400,000 shares, which was prohibited under Note 1 to Rule 17.03(3) of the Listing rules and the rules of the Share Option Scheme. As a result, the Board resolved on 11 December 2020 to cancel 52,875,488 outstanding share options (including the 32,950,000 share options granted on 23 November 2020 which were considered invalid).

Upon the cancellation of the said share options, the remaining 5,644,800 share options outstanding represent the share options granted in 2017.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's number of share options granted to certain directors and employees during the year:

FOR THE YEAR ENDED 31 DECEMBER 2020

Option type	Outstanding at 1 January	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December
	Number of share options				
Directors	20,963,200	–	–	(19,081,600)	1,881,600
Employees	4,607,088	–	–	(843,888)	3,763,200
	25,570,288	–	–	(19,925,488)	5,644,800

No share options exercised or lapsed during the year.

FOR THE YEAR ENDED 31 DECEMBER 2019

Option type	Outstanding at 1 January	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December
	Number of share options				
Directors	30,419,200	(9,456,000)	–	–	20,963,200
Employees	10,530,688	(4,842,000)	(1,081,600)	–	4,607,088
	40,949,888	(14,298,000)	(1,081,600)	–	25,570,288

In respect of the share options exercised in 2019, the weighted average share price at the dates of exercise was HK$0.93.

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

	2020		2019	
	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$	Number of share options
Outstanding at 1 January	0.93	25,570,288	0.86	40,949,888
Exercised during the year	–	–	0.75	(14,298,000)
Lapsed during the year	–	–	0.75	(1,081,600)
Cancelled during the year	0.91	(19,925,488)	–	–
Outstanding at 31 December	0.98	5,644,800	0.93	25,570,288
Exercisable at 31 December	0.98	5,644,800	0.93	25,570,288

For share options outstanding at the end of the reporting period, the exercise price is HK$0.98 (2019: range from HK$0.75 to HK$0.98) and weighted average remaining contractual life is 6 years (2019: 7 years).

32. ACQUISITION OF A SUBSIDIARY

FOR THE YEAR ENDED 31 DECEMBER 2019

During the year ended 2019, the Group entered into a sale and purchase agreement with two independent third parties that the Group agreed to acquire the equity interest and shareholders' loan of Palico Development Limited for a total cash consideration of HK$49,380,000. The principal amount of the shareholder's loan acquired was HK$10,993,000 and the amount attributable to equity interest acquired was HK$38,837,000. Palico Development Limited owned industrial properties located at Watson Road, Hong Kong. The Group acquired the industrial properties through acquisition of the entire equity interest in Palico Development Limited. Such industrial properties were acquired for investment purposes. The transaction was completed on 31 October 2019. The acquisition is considered as an acquisition of an asset since the acquiree does not meet the definition of a business under HKFRS 3.

Fair value of assets and liabilities acquired at the date of acquisition was as follows:

	HK$'000
Industrial properties classified as investment properties	49,380
Shareholder's loan	(10,993)
Add: assignment of shareholders' loan	10,993
Total consideration	49,380

Cash outflow on acquisition of a subsidiary during the year ended 31 December 2019 was as follows:

	HK$'000
Total consideration in cash and cash outflow on acquisition of a subsidiary	49,380

33. DISPOSAL OF A SUBSIDIARY

On 31 December 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest on Rainbow Red Holdings Limited ("**Rainbow Red**") and its loan for a consideration of HK$980,000,000. Rainbow Red was incorporated in Hong Kong and principally engaged in property development project — CWK Project which is located in Tsuen Wan. The disposal was completed during the year.

The assets and liabilities of the Rainbow Red at the date of disposal are:

	HK$'000
Properties held for sale	596,438
Utility deposits	37
Loan from fellow subsidiaries	(600,247)
Net liabilities	(3,772)
Net liabilities value of subsidiaries disposed of	(3,772)
Less:	
Loan from fellow subsidiaries	600,247
Professional fee directly attributable to the transaction	328
Gain on disposal of a subsidiary included in profit for the year	383,197
Total consideration	980,000
Satisfied by:	
Cash	980,000
Net cash inflow arising on disposal:	
Cash	980,000

34. CAPITAL COMMITMENTS

	2020 **HK$'000**	2019 HK$'000 (Restated)
Capital expenditure in respect of the property development projects contracted for but not provided in the consolidated financial statements	**419,135**	258,870

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Convertible bond liability component HK$'000	Borrowings HK$'000	Amount due to a director HK$'000	Amount due to an equity owner HK$'000	Interest payables HK$'000	Dividend payables HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2019 (Restated)	–	2,853,633	–	176,846	2,280	–	68,680	3,101,439
Cash inflow/(outflow):								
Borrowings raised	–	999,299	–	–	–	–	–	999,299
Repayment of borrowings	–	(728,589)	–	–	–	–	–	(728,589)
Lease payments	–	–	–	–	–	–	(18,767)	(18,767)
Increase in amount due to a director	–	–	39,000	–	–	–	–	39,000
Increase in amount due to an equity owner	–	–	–	19,500	–	–	–	19,500
Interest paid	–	–	(497)	–	(110,523)	–	–	(111,020)
Dividends paid	–	–	–	–	–	(102,862)	–	(102,862)
Non-cash transactions:								
New Lease	–	–	–	–	–	–	1,822	1,822
Dividends	–	–	–	–	–	102,862	–	102,862
Interest expenses	–	–	497	–	114,902	–	4,208	119,607
Exchange realignment	–	(4,110)	–	–	–	–	–	(4,110)
At 31 December 2019 (Restated)	–	3,120,233	39,000	196,346	6,659	–	55,943	3,418,181
Cash inflow (outflow):								
Borrowings raised	–	416,303	–	–	–	–	–	416,303
Repayment of borrowings	–	(1,216,045)	–	–	–	–	–	(1,216,045)
Lease payments	–	–	–	–	–	–	(16,825)	(16,825)
Increase in amount due to a director	–	–	13,673	–	–	–	–	13,673
Increase in amount due to an equity owner	–	–	–	53,028	–	–	–	53,028
Interest paid	–	–	(1,121)	–	(83,023)	–	–	(84,144)
Dividends paid	–	–	–	–	–	(14,113)	–	(14,113)
Non-cash transactions:								
New leases	–	–	–	–	–	–	3,322	3,322
Dividends declared	–	–	–	–	–	14,113	–	14,113
Interest expenses	1,128	–	1,121	–	82,857	–	3,351	88,457
COVID-19 related rent concession from lessors	–	–	–	–	–	–	(1,012)	(1,012)
Issue of convertible bonds and settlement of the Sale Loan in relation to common control combination	74,672	–	–	(249,374)	–	–	–	(174,702)
Exchange realignment	–	–	–	–	–	–	–	–
At 31 December 2020	75,800	2,320,491	52,673	–	6,493	–	44,779	2,500,236

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of net debts (which includes borrowings, liability component of convertible bonds, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising fully paid share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debt and redemption of existing debt.

The net debt to equity ratio at the end of reporting period was as follows:

	2020 **HK$'000**	2019 HK$'000 (Restated)
Debts	**2,396,291**	3,120,233
Less: bank balances and cash	**(55,457)**	(87,759)
Net debts	**2,340,834**	3,032,474
Equity attributable to owners of the Company	**1,422,741**	953,879
Net debt to equity ratio	**165%**	318%

37. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2020 HK$'000	2019 HK$'000 (Restated)
Financial assets		
Financial assets at FVTPL	**41,698**	6,579
Financial assets at amortised cost	**284,139**	319,910
	325,837	326,489
Financial liabilities		
Amortised cost	**2,617,232**	3,534,042

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at FVTPL, loan receivables, trade and other receivables, amounts due from related companies stakeholder's accounts, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a director, amounts due to related companies borrowings and convertible bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate loans from financial institutions (see note 28 for details of such borrowings). Besides, loan receivables, pledged bank deposits, bank balances and bank borrowings at floating rates expose the Group to cash flow interest rate risk as at end of the reporting period. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and Hong Kong Prime Lending Rate arising from the Group's Hong Kong dollars denominated variable-rate borrowings.

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for loan receivables and bank borrowings. The analysis is prepared assuming the loan receivables and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. 50 (2019: 50) basis points increase or decrease representing the assessment of the management of the Group on the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- interest capitalised in properties held for sale for the year ended 31 December 2020 would be increased/decreased by HK$4,754,000 (2019: HK$5,306,000) which will then be charged to cost of sales and services in consolidated statement of profit or loss and other comprehensive income when the properties are delivered to purchasers and revenue are recognised. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings; and

- post-tax profit for the year ended 31 December 2020 would be decreased/increased by HK$5,084,000 (2019: HK$5,081,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loan receivables and bank borrowings.

The directors of the Company consider interest rate exposure to stakeholder's accounts, pledged bank deposits and bank balances are immaterial.

Currency risk

The directors of the Company consider foreign currency exposure is mainly on its intra-group balances denominated at currency other than the functional currency of its foreign operation in Korea. No sensitivity analysis is presented since the directors consider the exposure is not material.

Price risk

The Group is exposed to price risk through its investments in listed equity securities, unlisted fund and unlisted participation note. In addition, the Group has appointed the management to monitor the price risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of those investments had been 10% higher/lower, post-tax profit would increase/decrease by HK$611,000 (2019: HK$658,000) for the Group as a result of the changes in fair value of the financial assets.

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision

As at 31 December 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except that the credit risk associated with loan receivables is mitigated because they are secured over properties. There is no significant changes in the quality of the collaterals as a result of deterioration or changes in the collateral policies of the Group during both reporting periods.

Trade receivables from contracts with customers and lease receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables and lease receivables individually or based on provision matrix.

At 31 December 2020, the Group has a concentration of credit risk as 11.0% and 41.7% (2019: 14.4% and 25.3%) respectively of the total gross trade receivables were due from the Group's largest customer and the five largest customers respectively.

Loan receivables, loan interest receivables, other receivables, stakeholder's accounts, pledged bank deposits and bank balances

The Group performs impairment assessment under ECL model upon application of HKFRS 9 on loan receivables, loan interest receivables, other receivables, stakeholder's accounts, pledged bank deposits and bank balances based on 12m ECL.

The credit risk on loan receivables and loan interest receivables are limited because all loan receivables are pledged with the property units of the borrowers. Loss given default is minimal as fair values of collaterals are larger than the carrying amounts of the loan receivables.

The credit risk on other receivables is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date.

The credit risk on stakeholder's accounts is limited because the counterparties are independent intermediaries who are governed and monitored by the relevant regulatory body.

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

Loan receivables, loan interest receivables, other receivables, stakeholder's accounts, pledged bank deposits and bank balances (Continued)

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Based on the Group's internal credit rating, no impairment loss allowance is recognised for loan receivables, loan interest receivables, other receivables, stakeholder's accounts, pledged bank deposits and bank balances as the amount of ECL on these balances is immaterial.

The Group is exposed to concentration of credit risk on:

- Loan receivables which are provided to individual third parties with no history of default;

- Liquid funds which are deposited with several banks with high credit ratings; and

The Group's concentration of credit risk by geographical locations is in Hong Kong as all trade receivables, lease receivables and loan receivables are arisen in Hong Kong for both years.

Other than above, the Group does not have any other significant concentration of credit risk.

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

The tables below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables/ lease receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2020 HK$'000	2019 HK$'000 (Restated)
Financial assets at amortised cost						
Trade receivables from contracts with customers	23	N/A	(Note)	Lifetime ECL (provision matrix)	**2,126**	1,198
Lease receivables	23	N/A	(Note)	Lifetime ECL (provision matrix)	**2,727**	4,349
Loan receivables	20	N/A	Low risk	12m ECL	**151,998**	187,665
Loan interest receivables	23	N/A	Low risk	12m ECL	**242**	300
Rental deposits and other receivables	23	N/A	Low risk	12m ECL	**13,439**	22,878
Amounts due from related companies	27	N/A	Low risk	12m ECL	**14,713**	–
Stakeholder's account	24	N/A	Low risk	12m ECL	**34,222**	6,066
Pledged bank deposits	24	AA+	N/A	12m ECL	**10,381**	10,257
Bank balances	24	AA+	N/A	12m ECL	**55,457**	87,759

Note: For trade and lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by past due status, nature, size and industry of debtors.

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

Trade and lease receivables

The following tables provide information about the Group's exposure to credit risk and ECLs for trade and lease receivables as at 31 December 2020 and 2019:

2020	**Expected loss rate %**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current (not past due)	**0.00%**	**—**	**—**
0 — 30 days past due	**1.29%**	**1,966**	**(25)**
31 — 90 days past due	**0.03%**	**1,255**	**(1)**
Over 90 days past due	**69.85%**	**1,632**	**(1,140)**
		4,853	**(1,166)**

2019	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.00%	1,371	—
0 — 30 days past due	1.70%	2,474	(42)
31 — 90 days past due	0.97%	518	(5)
Over 90 days past due	43.50%	1,184	(515)
		5,547	(562)

Expected loss rates are based on actual loss experience over the year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Groups holds security deposits as collaterals over the trade and lease receivables.

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

Trade and lease receivables (Continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its trade and lease receivables because these customers consist of a number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Trade and lease receivables are assessed based on provision matrix within lifetime ECL (not credit-impaired). The default rate is estimated to be insignificant.

During the year ended 31 December 2020, impairment loss of HK$604,000 (2019: HK$372,000) is provided based on the provision matrix as the amount of ECL on trade/lease receivables.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayable on demand clause are included in the earliest time band regardless of the probability of the counterparties choosing to exercise their rights.

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2020							
Trade and other payables	–	98,305	–	–	–	98,305	98,305
Retention payables	–	11,363	–	–	–	11,363	11,363
Amount due to a director	4.50	52,673	–	–	–	52,673	52,673
Amounts due to related companies	–	13,821	–	–	–	13,821	13,821
Borrowings							
– variable rate	2.50 to 4.91	2,164,696	–	–	–	2,164,696	2,164,696
– fixed rate	3.25 to 5.00	155,795	–	–	–	155,795	155,795
Convertible bonds – liability component	7.87	–	–	–	100,389	100,389	75,800
Lease liabilities	6.41 to 7.84	15,730	12,623	19,993	2,609	50,955	44,779
		2,512,383	12,623	19,993	102,998	2,647,997	2,617,232

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Effective interest rate % (Restated)	Repayable on demand or less than 1 year HK$'000 (Restated)	1 to 2 years HK$'000 (Restated)	2 to 5 years HK$'000 (Restated)	Over 5 years HK$'000 (Restated)	Total undiscounted cash flows HK$'000 (Restated)	Total carrying amount HK$'000 (Restated)
At 31 December 2019							
Trade and other payables	–	104,799	–	–	–	104,799	104,799
Retention payables	–	17,721	–	–	–	17,721	17,721
Amount due to a director	4.50	39,000	–	–	–	39,000	39,000
Amount due to an equity owner	–	196,346	–	–	–	196,346	196,346
Borrowings							
– variable rate	2.25 to 4.60	2,921,977	–	–	–	2,921,977	2,921,977
– fixed rate	2.96 to 3.50	198,256	–	–	–	198,256	198,256
Lease liabilities	6.41 to 7.50	17,065	14,798	26,529	6,750	65,142	55,943
		3,495,164	14,798	26,529	6,750	3,543,241	3,534,042

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Borrowings with a repayment on demand clause are included in the "repayable on demand or less than 1 year" time band in the above maturity analysis. As at 31 December 2020, the aggregate carrying amounts of these borrowings amounted to HK$2,320,491 (2019: HK$3,120,233 (Restated)). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks/financial institution will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. Aggregate principal and interest cash outflows are set out below:

	Effective interest rate %	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2020							
Borrowings							
– variable rate	2.50 to 4.91	1,518,803	578,597	157,479	73,522	2,328,401	2,164,696
– fixed rate	3.25 to 5.00	161,440	–	–	–	161,440	155,795
		1,680,243	578,597	157,479	73,522	2,489,841	2,320,491

	Effective interest rate % (Restated)	Within 1 year HK$'000 (Restated)	1 to 2 years HK$'000 (Restated)	2 to 5 years HK$'000 (Restated)	Over 5 years HK$'000 (Restated)	Total undiscounted cash flows HK$'000 (Restated)	Total carrying amount HK$'000 (Restated)
At 31 December 2019							
Borrowings							
– variable rate	2.25 to 4.60	2,604,789	91,934	329,049	72,500	3,098,272	2,921,977
– fixed rate	2.96 to 3.50	199,679	–	–	–	199,679	198,256
		2,804,468	91,934	329,049	72,500	3,297,951	3,120,233

37. FINANCIAL INSTRUMENTS (Continued)

C. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period.

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

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2020				
Financial assets at fair value through profit or loss:				
— Unlisted investment funds	—	—	4,589	4,589
— Unlisted participate note	—	—	1,519	1,519
— Derivative financial instruments — redemption option	—	—	35,590	35,590
	—	—	41,698	41,698
At 31 December 2019				
Financial assets at fair value through profit or loss:				
— Equity securities listed in Hong Kong	460	—	—	460
— Unlisted investment funds	—	—	4,600	4,600
— Unlisted participate note	—	—	1,519	1,519
	460	—	6,119	6,579

During the year, there were no transfers between Level 1 and Level 2, nor transfers into and out of Level 3.

37. FINANCIAL INSTRUMENTS (Continued)

C. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (level 3) is as follows:

	2020 HK$'000	2019 HK$'000
Unlisted investment funds		
At 1 January	**4,600**	4,869
Unrealised fair value loss	**(11)**	(269)
At 31 December	**4,589**	4,600

	2020 HK$'000	2019 HK$'000
Unlisted participate note		
At 1 January	**1,519**	1,543
Unrealised fair value gain	**—**	—
Refund of unused fund	**—**	(24)
At 31 December	**1,519**	1,519

	2020 HK$'000	2019 HK$'000
Derivative financial instruments — redemption option		
At 1 January	**—**	—
Issue to convertible bonds in relation to common control combination (Note 29)	**30,769**	—
Unrealised fair value gain	**4,821**	—
At 31 December	**35,590**	—

37. FINANCIAL INSTRUMENTS (Continued)

C. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

The valuation techniques as at 31 December 2020 are as follows:

Information about level 3 fair value measurements

The fair value of the redemption option is measured based on assumptions set out in Note 29.

The fair values of the unlisted investment funds and unlisted participate note are measured based on net asset value of the underlying investments in the fund or the note determined by external counter-parties.

There were no changes in valuation techniques during both years.

38. ACQUISITION OF ADDITIONAL EQUITY INTERESTS IN A SUBSIDIARY/DISPOSAL OF EQUITY INTERESTS IN CERTAIN SUBSIDIARIES

During the year, the Group entered into a sale and purchase agreement with an independent third party to acquire additional 45% equity interest in a then 55%-owned subsidiary at cash consideration of HK$45.

During the year, the Group entered into several sale and purchase agreements with independent third parties to dispose of its 5% to 10% equity interest in certain then non-wholly-owned subsidiaries at aggregate cash consideration of HK$1,000. The disposals do not result in the loss of control on the subsidiaries and are accounted for as an equity transactions.

39. RETIREMENT BENEFIT PLANS

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The total expense of HK$706,000 (2019: HK$390,000 (Restated)) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans during the year ended 31 December 2020.

40. RELATED PARTY DISCLOSURES

(I) TRANSACTIONS

Save as disclosed in notes 2, 17 and 27, the Group had the following transactions with related parties during the year:

Name of related parties	Nature of transactions	**2020 HK$'000**	2019 HK$'000 (Restated)
Mr. Joe Chan (director)	Finance costs (Note (b))	**1,121**	497
	Expenses related to short-term leases for office (Note (a))	**148**	153
Mr. Liu Hon Wai (director)	Sales commission (Note (c))	**69**	602
Vogue City Limited ("**Vogue City**")	Expenses related to short-term leases for motor vehicle (Note (d))	**60**	60
Vogue Town Limited ("**Vogue Town**")	Expenses related to short-term leases for director's quarter (Note (e))	**600**	1,980
Metropolitan Lifestyle (H.K.) Limited ("**Metropolitan Lifestyle**")	Management fee (Note (i))	**4,975**	6,652
	Rental income (Note (g))	**(12)**	(12)
	Service fee (Note (h))	**1,262**	1,833
Metropolitan Kitchen Limited ("**Metropolitan Kitchen**")	Entertainment expenses (Note (f))	**5**	9
Metro Yoga & Dance Limited ("**Metro Yoga**")	Rental income (Note (g))	**(11)**	(1,324)
M&M Kitchen Limited ("**M&M Kitchen**")	Entertainment expenses (Note (f))	**2**	25
Lala Eat Company Limited ("**Lala Eat**")	Entertainment expenses (Note (f))	**–**	3
	Rental income (Note (g))	**–**	(175)
M Beauty (H.K.) Limited ("**M Beauty**")	Service fee (Note (h))	**8**	–
Galaxy Real Estate Investment Management Limited	Management fee (Note (i))	**–**	432
Cafe 52	Rental income (Note (g))	**–**	(300)

40. RELATED PARTY DISCLOSURES (Continued)

(I) TRANSACTIONS (Continued)

Notes:

(a) *The expenses charged were based on office areas occupied by the Group and at a rent agreed by both parties.*

(b) *The loan from a director carried interest at 4.5% (2019: 4.5%) per annum.*

(c) *The sales commission is determined based on agreed terms as set out in the letter of employment.*

(d) *Expenses related to short-term leases for a motor vehicle represented the leasing of motor vehicles from Vogue City at a price agreed by both parties.*

(e) *Expenses related to short-term leases for director's quarter represented the leasing of a director's quarters for Mr. Joe Chan from Vogue Town at a price agreed by both parties.*

(f) *Entertainment expenses represented providing of wine and catering services from Metropolitan Kitchen, M&M Kitchen and Lala Eat at a price agreed by both parties.*

(g) *Rental income is received from Metro Yoga, Metropolitan Lifestyle and Cafe 52 at a price agreed by both parties.*

(h) *Service income is received from Metropolitan Lifestyle and M Beauty at prices agreed by both parties.*

(i) *The management fee was determined based on agreed terms as set out in the letter of employment.*

A director 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, and their compensations during the years ended 31 December 2020 and 2019 are set out in note 12.

41. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Details of the Company's major subsidiaries as at 31 December 2020 and 31 December 2019 are disclosed as follows:

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Directly held/ indirectly held by the Company	Principal activities
			2020	2019 (Restated)	**2020**	2019 (Restated)		
Star Properties Group (BVI) Limited	BVI	Ordinary shares US$100	**100%**	100%	**100%**	100%	Directly	Investment holding
Bright Port Holdings Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Property development
Fountain Inc Limited	Hong Kong	Ordinary share HK$10,000	**100%**	100%	**100%**	100%	Indirectly	Property investment
Spring Moon Investments Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Property development and property investment
Star Property Management (HK) Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Investment holding and provision of property management services
Star Security Services Company Limited	Hong Kong	Ordinary shares HK$100,000	**100%**	n/a	**100%**	n/a	Indirectly	Provision of Security Services
Crystal Sun Services Limited	Hong Kong	Ordinary Shares HK$100	**100%**	55%	**100%**	55%	indirectly	Provision of fitting out works, clearing and management services

41. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's major subsidiaries as at 31 December 2020 and 31 December 2019 are disclosed as follows (Continued):

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Directly held/ indirectly held by the Company	Principal activities
			2020	2019 (Restated)	2020	2019 (Restated)		
Star Finance (H.K.) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Provision of finance
Sincere Gold Properties Limited	Hong Kong	Ordinary shares HK$200,000	100%	100%	100%	100%	Indirectly	Property development
Diamond Ocean Investments Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Noble Energy Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Autumn Creek (H.K.) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Star Construction (H.K.) Limited (formerly known as Ritzy Soar (H.K.) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Star Properties Korea PFV1	South Korea	Ordinary shares Korean won 5 billion	95%	95%	95%	95%	Indirectly	Property development
Star Properties Korea PFV2	South Korea	Ordinary shares Korean won 5 billion	95%	95%	95%	95%	Indirectly	Property development
Palico Development Limited	Hong Kong	Ordinary shares HK$10	100%	100%	100%	100%	Indirectly	Property investment

41. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's major subsidiaries as at 31 December 2020 and 31 December 2019 are disclosed as follows (Continued):

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company 2020	Proportion of ownership interest held by the Company 2019 (Restated)	Proportion of voting power held by the Company 2020	Proportion of voting power held by the Company 2019 (Restated)	Directly held/ indirectly held by the Company	Principal activities
Metropolitan Group (BVI) Limited	BVI	Ordinary share US$1	100%	–	100%	–	Directly	Investment holding
Crystal Cay Assets Ltd.	BVI	Ordinary shares US$2	100%	100%	100%	100%	Directly	Investment holding
Creative Sky Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property holding
Far Orient International Limited	BVI	Ordinary share US$1	100%	100%	100%	100%	Indirectly	Property holding
Golden Green Corporation Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property holding
Grand Silver (Hong Kong) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property holding
Manhattan Corporation Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property investment
Numeric City Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property investment
Rainbow Value Investment Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property holding

41. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's major subsidiaries as at 31 December 2020 and 31 December 2019 are disclosed as follows (Continued):

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Directly held/ indirectly held by the Company	Principal activities
			2020	2019 (Restated)	2020	2019 (Restated)		
Sunny Generation Limited	Hong Kong	Ordinary shares HK$2	**100%**	100%	**100%**	100%	Indirectly	Property holding, provision of consultancy, project financing and management services
Wise City Holdings Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Property investment
Golden Abacus Global Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Investment holding
Well Sure Corporation Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Property investment
Advalue Group Limited	Hong Kong	Ordinary shares HK$2	**100%**	100%	**100%**	100%	Indirectly	Property investment
Eternal Great Development Limited	Hong Kong	Ordinary shares HK$9,000	**100%**	100%	**100%**	100%	Indirectly	Property investment
Mark Wealthy Limited	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	indirectly	Property Investment
Seongsu Vision	South Korea	Ordinary shares Korean won 510 million	**100%**	100%	**100%**	100%	Indirectly	Property development

41. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's major subsidiaries as at 31 December 2020 and 31 December 2019 are disclosed as follows (Continued):

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company 2020	Proportion of ownership interest held by the Company 2019 (Restated)	Proportion of voting power held by the Company 2020	Proportion of voting power held by the Company 2019 (Restated)	Directly held/ indirectly held by the Company	Principal activities
Metropolitan Lifestyle Holdings (BVI) Limited	BVI	Ordinary share US$1	100%	–	100%	–	Directly	Investment holding
Metropolitan Fine Wine Limited	Hong Kong	Ordinary shares HK$10,000	80.75%	80.75%	80.75%	80.75%	Indirectly	Wine Trading
Metropolitan Production Limited	Hong Kong	Ordinary shares HK$100	75%	75%	75%	75%	Indirectly	Website design and I.T. Solutions services
Metropolitan Apartment Limited	Hong Kong	Ordinary shares HK$100	85%	85%	85%	85%	Indirectly	Operation of serviced apartments
Metropolitan Workshop Limited	Hong Kong	Ordinary shares HK$100	85%	85%	85%	85%	Indirectly	Provision of virtual office and workshops
Metropolitan Wine Cellar Limited	Hong Kong	Ordinary shares HK$10,000	80.75%	80.75%	80.75%	80.75%	Indirectly	Wine storage services
Noble Empire Investments Limited	Hong Kong	Ordinary share HK$1	80.75%	80.75%	80.75%	80.75%	Indirectly	Investment holding
Seaview Empire Investment Limited	Hong Kong	Ordinary share HK$1	80.75%	80.75%	80.75%	80.75%	Indirectly	Investment holding
Metropolitan Storage Limited	Hong Kong	Ordinary shares HK$100	78%	78%	78%	78%	Indirectly	Operation of storage

41. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's major subsidiaries as at 31 December 2020 and 31 December 2019 are disclosed as follows (Continued):

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Directly held/ indirectly held by the Company	Principal activities
			2020	2019 (Restated)	2020	2019 (Restated)		
LCKI Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Metro Luck Development Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
NT Luck Development Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
NTII Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Rainbow Luck Limited	Hong Kong	Ordinary shares HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Rich Luck Enterprise Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Charm Luck (Hong Kong) Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	indirectly	Head tenant service
Cheer Luck International Industrial Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service

41. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's major subsidiaries as at 31 December 2020 and 31 December 2019 are disclosed as follows (Continued):

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Directly held/ indirectly held by the Company	Principal activities
			2020	2019 (Restated)	2020	2019 (Restated)		
CW Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
East Luck Properties Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Faithful Luck (H.K.) Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
FTIII Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Kowloon Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'000	2019 HK$'000 (Restated)
Non-current assets		
Investments in subsidiaries	591,850	170,362
Amounts due from subsidiaries (Notes (i) & (iii))	1,054,631	1,240,689
	1,646,481	1,411,051
Current assets		
Financial assets at FVTPL	35,590	—
Other receivables (Note (iii))	176	272
Amounts due from subsidiaries (Notes (ii) & (iii))	367,732	339,741
Bank balances and cash (Note (iii))	2,169	2,146
	405,667	342,159
Current liabilities		
Other payables	3,506	1,688
Amounts due to subsidiaries	13,796	134,325
Amount due to a director	52,673	39,000
Borrowings	494,000	901,000
	563,975	1,076,013
Net current liabilities	(158,308)	(733,854)
Total assets less current liabilities	1,488,173	677,197
Non-current liabilities		
Convertible bonds — liability component	75,800	—
	1,412,373	677,197
Capital and reserves		
Share capital	6,415	6,415
Reserves	1,405,958	670,782
Total equity	1,412,373	677,197

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Notes:

(i) *The amounts due from subsidiaries classified under non-current assets are unsecured, interest-free and repayable on demand. In the opinion of the directors, based on their assessment as at the end of the reporting period of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries will not be repaid within one year from the end of the reporting period. Accordingly, these amounts are classified as non-current. The amounts due from subsidiaries are discounted at effective interest rate of 3.17% (2019: 3.58%) per annum, representing the borrowing rates of the relevant subsidiaries, with corresponding adjustments of HK$Nil (2019: HK$50,003,000) debited to investments in subsidiaries as deemed contribution to those subsidiaries.*

(ii) *The amounts due from subsidiaries classified under current assets are unsecured, interest-free and repayable on demand. The directors expect these amounts will be repaid within twelve months from the end of the reporting period, accordingly, these amounts are classified as current assets.*

(iii) *ECL for amounts due from subsidiaries, other receivables and bank balances are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. No material impairment allowance is made based on the Company's internal and/or external credit rating.*

MOVEMENT IN THE COMPANY'S RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Shareholders' contribution HK$'000 (Note 30(i))	Convertible bonds — equity components HK$'000 (Note 29)	Retained earnings HK$'000	Total HK$'000
At 1 January 2019	218,425	16,755	190,000	—	297,653	722,833
Profit and total comprehensive income for the year	—	—	—	—	36,801	36,801
Exercise of share options (note 31)	15,032	(4,452)	—	—	—	10,580
Lapse of share options	—	(335)	—	—	335	—
Dividends paid (note 13)	—	—	—	—	(99,432)	(99,432)
At 31 December 2019	233,457	11,968	190,000	—	235,357	670,782
Profit and total comprehensive income for the year	—	—	—	—	435,591	435,591
Issuance of convertible bonds (note 29)	—	—	—	313,698	—	313,698
Cancellation of share options (note 31)	—	(9,103)	—	—	9,103	—
Lapse of share options	—	—	—	—	—	—
Dividends paid (note 13)	—	—	—	—	(14,113)	(14,113)
At 31 December 2020	233,457	2,865	190,000	313,698	665,938	1,405,958

43. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified/re-grouped to conform with the current year's presentation and disclosures. The directors consider that such presentation would better reflect the financial performance and position of the Group.

44. EVENTS AFTER THE REPORTING PERIOD

On 3 March 2021, the Group entered into a provisional agreement with an independent purchaser pursuant to which the Group has agreed to sell and the purchaser has agreed to purchase the entire issued share and the shareholder's loan of a wholly-owned subsidiary of the Company which is principally engaged in property holding and property leasing business, at a cash consideration of HK$51,750,000. Further details of the transaction are set out in the Company's announcement dated 3 March 2021.

PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2020

Name of Property	Location	Approximate gross floor area before redevelopment (sq.ft.)	Final/expected approximate gross floor area upon completion (sq.ft.)	Use	Stage of completion	Expected completion date	Attributable interest of the Group
The Rainbow	No. 22, Wang Yip Street South, Yuen Long, New Territories, Hong Kong	93,100	93,100	Commercial	Completed	N/A	100%
Yuen Long	No. 21, Wang Yip Street West, Yuen Long, New Territories, Hong Kong	51,772	171,146	Residential	Under Development	2022	100%
Kwun Tong	Nos. 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	82,434	181,440	Commercial	Under Development	2023	100%
The Cloud (Formerly known as Tack Lee)	Nos. 107-111 Tung Chau Street, Tai Kok Tsui, Kowloon, Hong Kong	43,428	59,904	Industrial	Under Development	2021	100%
Shing Yip Street	11/F, TG Place, Nos. 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	14,410	14,410	Commercial	Under Development	2022	100%
Corner 50 (Formerly known as Seongsu)	Seoul Seongdong-Gu, Seongsu Dong 2Ga 273-50	18,977	123,161	Commercial	Under Development	2022	95%
Corner 19 (Formerly known as Sausage)	Seoul Seongdong-Gu, Seongsu Dong 2Ga 314-19	N/A (Note 1)	23,933	Commercial	Under Development	2021	95%

Note 1: The site acquired for the redevelopment project was a vacant development site and therefore it did not have a gross floor area.

INVESTMENT PROPERTIES AS AT 31 DECEMBER 2020

Name of Property	Address & Location	Existing Use	Condition/nature	Attributable interest of the Group
Sea View Estate — 2 units	11/F, Block A, Sea View Estate, No. 2 Watson Road, North Point, Hong Kong	Industrial	Currently leased to an independent third party	100%
Sea View Estate — 1 unit	12/F, Block B, Sea View Estate, No. 2 Watson Road, North Point, Hong Kong	Industrial	Currently used by Metropolitan Wine Cellar to operate wine cellar business	100%
Sea View Estate — 1 unit	9/F, Block B, Sea View Estate, No. 2 Watson Road, North Point, Hong Kong	Industrial	Currently used by Metropolitan Workshop to operate co-working space business	100%
World Trust Tower	3/F, World Trust Tower, No.50 Stanley Street	Commercial	Currently used by Metropolitan Workshop to operate co-working space business	100%
Tesbury Centre	17/F, Tesbury Centre	Commercial	Currently used by Metropolitan Workshop to operate co-working space business	100%
The Galaxy	Signage and 3/F, the Galaxy	Industrial	Partly used by Metropolitan Workshop to operate co-working space business Partly leased to an independent third party	100%
Silver Fortune	20/F, Silver Fortune	Commercial	Currently used by Metropolitan Workshop to operate co-working space business	100%
Admiralty Centre — 3 units	6/F, Admiralty Centre	Commercial	Currently used by Metropolitan Workshop to operate co-working space business	100%

Name of Property	Address & Location	Existing Use	Condition/nature	Attributable interest of the Group
Admiralty Centre — 1 shop	1/F, Admiralty Centre	Shop	Currently leased to an independent third party	100%
Yiu Wa Street	3/F., No. 14 Yiu Wa Street 1/F-5/F & the Roof, No. 16 Yiu Wa Street 1/F-5/F & the Roof, No.18 Yiu Wa Street	Residential	Currently used by Metropolitan Apartment to operate apartment business	100%
Yiu Wa Street	G/F, No. 18 Yiu Wa Street	Shop	Currently leased to an independent third party	100%
Yuen Long Farmland	Lot 807 and Section A & B of 810D, D.D.103 Yuen Long Farmland	Farmland	Currently leased to an independent third party	100%
Honour Ind. Centre — 1 unit	13/F, Honour Ind. Centre (Warehouse)	Industrial	Currently used as warehouse	100%
Corner 25	656-25, 1ga Seongsu-dong, Seongdong-gu, Seoul, Republic of Korea	Commercial	Currently under re-development and targeted at operating co-working space business	100%

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

CONSOLIDATED RESULTS

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000 (restated)	HK$'000	HK$'000	HK$'000
REVENUE	**105,782**	174,440	671,667	732,390	40,688
PROFIT BEFORE TAX	**309,792**	32,789	241,576	122,261	24,479
Income tax credit/(expense)	**(7,003)**	(10,755)	(49,749)	(26,447)	(2,740)
PROFIT FOR THE YEAR	**302,789**	22,034	191,827	95,814	21,739
Attributable to:					
Owners of the Company	**306,936**	23,662	191,811	95,814	21,739

CONSOLIDATED ASSETS AND LIABILITIES

	31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000 (restated)	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**4,133,608**	4,605,131	3,323,290	2,463,507	1,365,903
TOTAL LIABILITIES	**(2,719,928)**	(3,653,275)	(2,530,677)	(1,821,541)	(915,775)
NET ASSETS	**1,413,680**	951,856	792,613	641,966	450,128