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Star Properties Group (Cayman Islands) Limited

星星地產集團（開曼群島）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1560)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue and profit attributable to owners of the Company for the year ended 31 December 2019 approximately 120.0 million (2018: approximately HK\$671.7 million) and approximately HK\$5.7 million (2018: approximately HK\$191.8 million) respectively.
- The basic and diluted earnings per share for the year ended 31 December 2019 was approximately HK0.9 cents and HK0.9 cents, respectively, as compared to basic and diluted earnings per share of approximately HK30.6 cents and HK30.6 cents, respectively, for the corresponding period last year.
- Proposed final dividend in respect of the year ended 31 December 2019 is HK0.2 cents per ordinary share.

The board of directors (the “**Director(s)**”) (the “**Board**”) of Star Properties Group (Cayman Islands) Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2019 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3		
Sales of properties and provision of property management services		112,473	668,212
Rental income from leasing of investment properties		474	735
Interest income from provision of finance		7,032	2,720
Total revenue		119,979	671,667
Cost of sales and services		(50,843)	(309,459)
Gross profit		69,136	362,208
Other income	5	8,315	33,217
(Loss) gain on change in fair value of investment properties		(2,597)	1,370
(Loss) gain on change in fair value of financial assets at fair value through profit or loss		(1,027)	431
Impairment loss recognised on lease receivables	12	—	(18,765)
Selling expenses		(6,970)	(27,324)
Administrative expenses		(35,372)	(65,019)
Finance costs	6	(19,244)	(44,542)
Profit before tax	7	12,241	241,576
Income tax expense	9	(6,944)	(49,749)
Profit for the year		5,297	191,827
Other comprehensive expense for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(1,808)	(235)
Total comprehensive income for the year		3,489	191,592
Profit (loss) for the year attributable to:			
Owners of the Company		5,724	191,811
Non-controlling interests		(427)	16
		5,297	191,827
Total comprehensive income (expense) attributable to:			
Owners of the Company		4,007	191,588
Non-controlling interests		(518)	4
		3,489	191,592
Earnings per share (in HK cents)			
Basic	10	0.9	30.6
Diluted	10	0.9	30.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current Assets			
Plant and equipment		784	475
Right-of-use assets		1,367	—
Investment properties		52,000	13,470
Loan receivables	<i>11</i>	164,766	199,260
Financial assets at fair value through profit or loss		6,119	6,412
		<u>225,036</u>	<u>219,617</u>
Current Assets			
Properties held for sale		3,153,060	2,906,848
Trade and other receivables	<i>12</i>	32,608	25,959
Contract costs		—	301
Financial assets at fair value through profit or loss		460	204
Stakeholder's accounts		6,066	38,877
Pledged bank deposits		10,257	10,115
Bank balances and cash		62,276	121,369
		<u>3,264,727</u>	<u>3,103,673</u>
Current Liabilities			
Trade and other payables	<i>13</i>	104,253	91,430
Contract liabilities		293	692
Amount due to a director		39,000	—
Tax liabilities		56,737	73,813
Borrowings	<i>14</i>	2,580,184	2,364,437
		<u>2,780,467</u>	<u>2,530,372</u>
Net Current Assets		<u>484,260</u>	<u>573,301</u>
Total Assets less Current Liabilities		<u>709,296</u>	<u>792,918</u>
Non-current Liability			
Deferred tax liabilities		177	305
Net Assets		<u>709,119</u>	<u>792,613</u>
Capital and Reserves			
Share capital		6,415	6,272
Reserves		699,742	784,587
Equity attributable to owners of the Company		706,157	790,859
Non-controlling interests		2,962	1,754
Total Equity		<u>709,119</u>	<u>792,613</u>

NOTES

1. GENERAL

Star Properties Group (Cayman Island) 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, who is the chairman of the Board of Directors and an executive director of the Company. The address of its registered office is Clifton House, 75 Fort Street, 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. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in property development, property investment, provision of property management services and provision of finance.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 *Leases* (“**HKFRS 16**”) for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“**HKAS 17**”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts, and elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has elected not to recognise any lease liabilities nor right-of-use assets at 1 January 2019 upon application of HKFRS 16 as the remaining lease terms of its leases amounting to HK\$1,980,000 which are disclosed as operating lease commitments as at 31 December 2018 are ended within twelve months from 1 January 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, no adjustment has been made to adjust the refundable rental deposits received and advance lease payments since the amounts involved are insignificant.
- (c) Effective on 1 January 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The transition to HKFRS 16 has no material impact on retained earnings at 1 January 2019 and no adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 January 2019.

3. REVENUE

Disaggregation of revenue from contracts with customers

Segments	Property development		Provision of property management services		Total	
	2019	2018	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Sales of properties</i>						
Workshop units in a revitalised industrial building	85,477	653,056	—	—	85,477	653,056
Workshop units in a newly rebuilt industrial building	24,343	14,100	—	—	24,343	14,100
<i>Provision of property management services</i>						
Property management services	—	—	2,653	1,056	2,653	1,056
Total	<u>109,820</u>	<u>667,156</u>	<u>2,653</u>	<u>1,056</u>	<u>112,473</u>	<u>668,212</u>
Geographical markets						
Hong Kong	<u>109,820</u>	<u>667,156</u>	<u>2,653</u>	<u>1,056</u>	<u>112,473</u>	<u>668,212</u>
Timing of revenue recognition						
A point in time	109,820	667,156	—	—	109,820	667,156
Over time	—	—	2,653	1,056	2,653	1,056
Total	<u>109,820</u>	<u>667,156</u>	<u>2,653</u>	<u>1,056</u>	<u>112,473</u>	<u>668,212</u>

4. 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 investment properties
3. Provision of property management services — provision of property management services for the completed properties
4. Provision of finance — provision of financing services to the property buyers

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	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Property development	109,820	667,156	27,076	267,201
Property investment	474	735	(1,839)	843
Provision of property management services	2,653	1,056	1,735	549
Provision of finance	7,032	2,720	1,935	1,311
	<u>119,979</u>	<u>671,667</u>	<u>28,907</u>	<u>269,904</u>
Unallocated income			339	471
Unallocated expenses			(14,856)	(26,967)
Finance costs			(2,149)	(1,832)
Profit before tax			<u>12,241</u>	<u>241,576</u>

Segment assets and liabilities

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Segment assets		
Property development	3,226,249	2,977,764
Property investment	52,135	13,864
Provision of property management services	1,066	801
Provision of finance	188,078	221,462
	<hr/>	<hr/>
Total segment assets	3,467,528	3,213,891
Unallocated assets	22,235	109,399
	<hr/>	<hr/>
Consolidated total assets	<u>3,489,763</u>	<u>3,323,290</u>
Segment liabilities		
Property development	2,622,199	2,345,678
Property investment	180	308
Provision of property management services	281	247
Provision of finance	86,698	132,522
	<hr/>	<hr/>
Total segment liabilities	2,709,358	2,478,755
Unallocated liabilities	71,286	51,922
	<hr/>	<hr/>
Consolidated total liabilities	<u>2,780,644</u>	<u>2,530,677</u>

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

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss (“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 and other corporate liabilities not attributable to the reportable segments.

Other segment information

For the year ended 31 December 2019

	Property development HK\$'000	Property investment HK\$'000	Provision of property management services HK\$'000	Provision of finance 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	2,082	49,380	—	—	51,462	420	51,882
Depreciation of plant and equipment	—	209	—	10	219	135	354
Depreciation of right-of-use assets	455	—	—	—	455	—	455
Gain on disposal of plant and equipment	—	—	—	—	4	—	4
Interest expense	12,282	—	—	4,812	17,094	2,150	19,244
Loss on change in fair value of investment properties	—	2,597	—	—	2,597	—	2,597
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

For the year ended 31 December 2018

	Property development HK\$'000	Property investment HK\$'000	Provision of property management services HK\$'000	Provision of finance 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	—	—	—	50	50	384	434
Depreciation	—	—	—	4	4	218	222
Gain on change in fair value of investment properties	—	1,370	—	—	1,370	—	1,370
Interest expense	41,458	—	—	1,252	42,710	1,832	44,542
Impairment loss recognised on lease receivables	—	18,765	—	—	18,765	—	18,765
Loss on disposal of plant and equipment	—	—	—	—	—	635	635
Amounts regularly provided to the CODM but not included in the measure of segment results:							
Interest income earned on bank balances	138	78	74	318	608	128	736

Geographical information

The Group's operations are located on 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) by geographical location of the assets are detailed below.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	52,784	13,945
Korea	1,367	—
	<u>54,151</u>	<u>13,945</u>

Information about major customers

For the year ended 31 December 2019, there are seven customers with transactions have exceeded 10% of the Group's total revenue. These transactions are all related to sales of properties. For the year ended 31 December 2018, the Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from customers of the current year contributing over 10% of the total sales of the Group are as follows:

	2019 <i>HK\$'000</i>
Customer A	17,309
Customer B	13,421
Customer C	13,338
Customer D	12,251
Customer E	12,225
Customer F	11,626
Customer G	<u>11,500</u>

5. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income earned on bank balances	434	736
Forfeiture of deposits from tenants and property purchasers	—	7,247
Temporary rental income from properties held for sale	6,927	23,876
Exchange gains, net	117	845
Others	837	513
	<u>8,315</u>	<u>33,217</u>

6. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on:		
Borrowings	99,073	72,384
Advance from a director	497	99
	<u>99,570</u>	<u>72,483</u>
Total borrowing costs	99,570	72,483
Less: amount capitalised in cost of qualifying assets	(80,326)	(27,941)
	<u>19,244</u>	<u>44,542</u>

7. PROFIT BEFORE TAX

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	9,218	31,942
Other staff costs, excluding directors' emoluments:		
Salaries and other allowances	9,843	15,641
Retirement benefit scheme contributions	301	266
Equity-settled share-based payment	—	2,419
	<hr/>	<hr/>
Total staff costs	19,362	50,268
Less: capitalised in properties held for sale	(3,624)	(9,476)
	<hr/>	<hr/>
	15,738	40,792
	<hr/>	<hr/>
Auditors' remuneration		
— Audit services	1,050	990
— Non-audit services	430	430
Cost of inventories recognised as an expense	50,248	308,958
Depreciation of plant and equipment	354	222
Depreciation of right-of-use assets	455	—
Direct operating expenses incurred for provision of property management services (included in cost of sales and services)	595	483
Property agency commission (included in selling expenses)	5,963	24,594
(Gain) loss on disposal of plant and equipment	(4)	635
Gross rental income from investment properties	(474)	(735)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	0	18
	<hr/>	<hr/>
	(474)	(717)
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 Interim — Nil (2018: 2018 interim dividend of HK2.4 cents per share)	—	15,053
2018 Final — HK15.5 cents (2018: 2017 final dividend of HK5.6 cents) per share	<u>99,432</u>	<u>35,123</u>
	<u>99,432</u>	<u>50,176</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK0.2 cents per ordinary share, in aggregate amount of HK\$1,283,000, has been proposed by the directors of the Company and is subject to approval by shareholders in the forthcoming general meeting.

9. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax:		
— Current tax	7,072	49,693
Deferred taxation	<u>(128)</u>	<u>56</u>
	<u>6,944</u>	<u>49,749</u>

10. 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>5,724</u>	<u>191,811</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	638,501	627,200
Effect of dilutive potential ordinary shares:		
Outstanding share options issued by the Company (<i>Note</i>)	<u>—</u>	<u>94</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>638,501</u>	<u>627,294</u>

Note: The computation of diluted earnings per share during the year ended 31 December 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 year ended 31 December 2019, while the computation of diluted earnings per share during the year ended 31 December 2018 did not assume the exercise of certain of the Company's share options because the exercise price plus unvested fair value of those options was higher than the average market price for shares for the year ended 31 December 2018.

11. LOAN RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Variable-rate loan receivables (<i>Note</i>)	<u>187,665</u>	<u>217,880</u>
Analysis as:		
— Non-current portion	164,766	199,260
— Current portion (<i>note 12</i>)	<u>22,899</u>	<u>18,620</u>
Total	<u>187,665</u>	<u>217,880</u>

Notes:

As at 31 December 2019, the balance included:

- (i) loan receivable amounting to HK\$186,000 (2018: HK\$277,000), which is secured by the property unit of a borrower, interest bearing at Hong Kong prime rate quoted by the lending bank plus 2% per annum. The principal amount started to be repaid in November 2016 in accordance with the repayment schedules;
- (ii) loan receivables amounting to HK\$7,350,000 (2018: HK\$7,350,000), which are secured by the property units of a borrower, interest bearing at Hong Kong prime rate quoted by the lending bank. The principal amounts will be fully repaid at the respective maturity dates;
- (iii) loan receivables amounting to HK\$170,334,000 (2018: HK\$210,253,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong prime rate quoted by the lending bank minus 1.75% per annum. The principal amounts will be fully repaid at the respective maturity dates; and
- (iv) loan receivable amounting to HK\$9,795,000 (2018: nil), which is secured by the property unit of a borrower and interest bearing at Hong Kong prime rate quoted by the lending bank minus 2% per annum. The principal amount started to be repaid in September 2019 in accordance with the repayment schedules.

Loans are provided to borrowers at a range of 60% to 80% (2018: 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 2019 and 2018.

As at 31 December 2019 and 2018, 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:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Variable-rate loan receivables:		
Within one year	22,899	18,620
In more than one year but not more than two years	41,533	18,267
In more than two years but not more than five years	123,233	180,993
	<u>187,665</u>	<u>217,880</u>

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

	2019	2018
Effective interest rate:		
— Variable-rate loan receivables	3.5% to 7.125%	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.

12. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables from property management services	984	259
Lease receivables	<u>1,560</u>	<u>18,987</u>
	2,544	19,246
Less: Allowance for credit losses (<i>Note</i>)	<u>—</u>	<u>(18,765)</u>
	2,544	481
Deposits and other receivables, and prepayments		
— Loan receivables (<i>note 11</i>)	22,899	18,620
— Loan interest receivables	300	358
— Rental deposits and other receivables	5,441	5,015
— Prepayments	<u>1,424</u>	<u>1,485</u>
	30,064	25,478
	<u>32,608</u>	<u>25,959</u>

Note: As at 31 December 2018, the allowance for credit losses is related to an individually impaired lease receivable of a single customer amounting to HK\$18,765,000 that default its payment. The management considers that such lease receivable is not recoverable since the customer is in severe financial difficulties. As a consequence, allowance for credit losses of HK\$18,765,000 has been recognised in respect of such lease receivable during the year ended 31 December 2018. Such allowance is written off during the current year.

As at 1 January 2018, trade receivables from contracts with customer amounted to HK\$5,200,000.

No credit term is allowed for trade receivables from property management services and lease receivables.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–30 days	1,374	481
31–90 days	501	—
91–180 days	318	—
181–365 days	92	—
Over 365 days	259	—
	<hr/> 2,544 <hr/>	<hr/> 481 <hr/>

All of the Group's trade receivables from property management services and lease receivables were past due at the end of both reporting periods. The Groups holds security deposits as collaterals over the lease receivables.

13. TRADE AND OTHER PAYABLES

As at 31 December 2019, retention payables amounting to HK\$7,366,000 (2018: HK\$12,344,000) is aged within one year while the remaining amount of HK\$10,355,000 (2018: HK\$2,441,000) is aged one to two years. All retention payables as at 31 December 2019 and 2018 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

14. BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank borrowings	<u>2,580,184</u>	<u>2,364,437</u>
Scheduled payment terms of borrowings contain a repayment on demand clause (shown under current liabilities):		
— Within one year	2,146,561	1,123,291
— In more than one year but not more than two years	75,550	802,484
— In more than two years but not more than five years	307,638	438,662
— More than five years	50,435	—
Total	<u>2,580,184</u>	<u>2,364,437</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Variable-rate borrowings:		
Within one year	2,032,278	1,025,186
In more than one year but not more than two years	75,550	802,484
In more than two years but not more than five years	307,638	438,662
More than five years	50,435	—
	<u>2,465,901</u>	<u>2,266,332</u>
Fixed-rate borrowings:		
Within one year	114,283	98,105
	<u>2,580,184</u>	<u>2,364,437</u>

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

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

	2019	2018
Effective interest rates:		
— Fixed-rate borrowings	3.5%	3.5%
— Variable-rate borrowings	<u>2.25%–4.6%</u>	<u>2.3%–4.15%</u>

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held for sale		
— Under development for sale, at cost	2,684,971	2,405,336
— Completed, at cost	465,909	499,311
	<u>3,150,880</u>	<u>2,904,647</u>
Investment properties		
— Carpark spaces	5,000	13,470
— Industrial properties	47,000	—
	52,000	13,470
Pledged bank deposits	<u>10,257</u>	<u>10,115</u>
Total	<u>3,213,137</u>	<u>2,928,232</u>

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 2019 and 2018, none of the bank covenants relating to drawn down facilities had been breached. The directors of the Company consider there is no material impact in regard of the outbreak of a novel coronavirus subsequent to the end of the reporting period to the Group's bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULT

For the financial year ended 31 December 2019, the Group's revenue and profit attributable to owners of the Company amounted to approximately HK\$120.0 million (2018: approximately HK\$671.7 million) and approximately HK\$5.7 million (2018: approximately HK\$191.8 million) respectively.

FINAL DIVIDENDS

The board of directors (the “**Director(s)**”) of the Company (the “**Board**”) does recommend the payment of final dividend of HK0.2 cents per ordinary share for the year ended 31 December 2019 (2018: HK15.5 cents) which is subject to the approval by the shareholders of the Company.

BUSINESS REVIEW

The Company is principally engaged in property development and property investment for sale, rental or capital appreciation, provision of property management services, and provision of finance.

The Group's revenue for the year ended 31 December 2019 amounted to approximately HK\$120.0 million (2018: approximately HK\$671.7 million), which represented a decrease of approximately HK\$551.7 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2019 was approximately HK\$5.7 million (2018: approximately HK\$191.8 million), which represented a decrease of approximately HK\$186.1 million from last year. Both the decrease in revenue and decrease in gross profit were mainly due to decrease of the completion and delivery of sold units during the year. The basic and diluted earnings per share for the period was approximately HK0.9 cents and HK0.9 cents, respectively, as compared to basic and diluted earnings per share of approximately HK30.6 cents and HK30.6 cents, respectively. 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\$109.8 million (2018: approximately HK\$667.2 million). As at 31 December 2019, the Group had three completed projects, namely, (a) The Galaxy; (b) The Star and (c) The Rainbow; and six projects under development, namely, (d) the CWK Project; (e) Yuen Long site; (f) Kwun Tong site; (g) Tack Lee Project; (h) Seongsu Project and (i) Sausage Project. A general summary and update of the property development projects of the Group during the reporting year and as at 31 December 2019 are listed below:

- (a) The Galaxy: Completion and delivery of 2 motorcycle car parking spaces amounted to HK\$0.8 million in the year ended 31 December 2019 (2018: Completion and delivery of 8 car parking spaces amounted to HK\$10.5 million). All units of The Galaxy, except 1 unit of office, have been sold out and delivered.
- (b) The Star: Completion and delivery of 4 car parking spaces on first floor and 2 workshop units on ground floor amounted to HK\$24.3 million in the year ended 31 December 2019 (2018: approximately HK\$14.1 million for the completion and delivery of 12 car parking spaces). All units of The Star, except 3 car parking spaces on first floor, have been sold out and delivered.
- (c) The Rainbow: The remaining alterations and additions works were completed in 2019. Completion and delivery of 7 units amounted to approximately HK\$86.1 million in the year ended 31 December 2019 (2018: approximately HK\$653.1 million for the completion and delivery of 108 units).
- (d) CWK Project: The Group was planned to redevelop the property into a commercial building for general retail and office use and the foundation work was commenced. In view of the economic uncertainties due to US-China trade war and local political movement in the second quarter of 2019, the Group decided to dispose the CWK Project to reduce the risk exposure. The Group has entered into a sales and purchase agreement on 31 December 2019 to sell the entire issued share capital and shareholder's loan of the holding company of CWK Project (the "**Disposal**"). A relevant announcement has been made on the same day. The Disposal was completed on 9 January 2020 while the release of the remaining purchase consideration would be subject to fulfilment of certain terms and conditions as specified in the sale and purchase agreement. Upon reconsideration of the transactions involving change in control of entities instead of transfer of control of assets to customers, the Group decided to treat such disposal as a very substantial disposal and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange. Upon the completion of the Disposal, CWK Project is no longer as one of the development projects of the Group.
- (e) Yuen Long Site Project: The Group intends to redevelop it into a residential complex with some shops on ground floor. This project is positioned as a luxury and stylish condominium residential complex targeting at young residents pursuing high quality and design driven lifestyle. The Group has obtained town planning approval from the Town Planning Board in the second quarter of 2019, has submitted application for lease modification in the third quarter of 2019 to the Lands Department, and has obtained building plans approval in the February 2020 from the Buildings Department of the Hong Kong Special Administrative Region. The Group has completed the hoarding work and demolition work. Foundation work for the new redevelopment was started at the end of 2018. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

- (f) Kwun Tong Site Project: The Group intends to redevelop it into a high end prestigious commercial building. Hoarding plans and demolition plans have already been approved by the Buildings Department of the Hong Kong Special Administrative Region, and demolition of the existing building commenced in the third quarter of 2019. The Group has submitted town planning application in the fourth quarter of 2019. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.
- (g) Tack Lee Project: The Group intended to carry out alteration and additions work to upgrade the industrial building. The Group has entered into a termination agreement to terminate the last tenancy contract of the building in July 2019. 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 is going to redevelop and reconstruct a new building at the site. Demolition of the existing building was commenced in the third quarter of 2019 and it is scheduled to be completed in the first quarter of 2020. The Group has submitted town planning application to the Town Planning Board for minor relaxation of plot ratio in the third quarter of 2019. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.
- (h) Seongsu Project: The site is located in Seongsu area of Seoul, South Korea and the Group intends to redevelop the existing two storey building into a high end prestigious commercial building. In the past few years, Seongsu area has been rapidly transformed from an industrial district comprised of old factories and warehouses into a commercial district that attracted the young generation and entrepreneurs. The building was acquired together with one tenant and the Group has entered into a termination agreement with the tenant to vacant the building in September 2019. Building plan approval has already been obtained from the relevant government department of South Korea. The Group is in the tendering process to finalize the selection of construction company for the project. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.
- (i) Sausage Project: The Group acquired the site which is located in the Seongsu area of Seoul, South Korea in the first half of 2019. The site does not have any building on it and the Group intends to develop it into a high end prestigious commercial building. Building plan approval has already been obtained from the relevant government departments of South Korea. The Group is in the tendering process to finalize the selection of construction company for the project. Together with Seongsu Project, they would be regarded as a landmark for the Group in the Seongsu area. Upon the completion of the property redevelopment work, the Group intends to sell out the whole building to generate revenue.

In the year of 2019, the Group has taken a more conservative approach to monitor the market condition and concentrate on development of the existing projects. Going forwards, 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

As at 31 December 2019, the total carrying value of the Group's portfolio of investment properties, amounted to approximately HK\$52.0 million (31 December 2018: approximately HK\$13.5 million), which comprised of car parking spaces located in Hong Kong with a total carrying value of approximately HK\$5.0 million (31 December 2018: approximately HK\$13.5 million); and 2 units of an industrial building, which was newly acquired in October 2019, located in Hong Kong with a total carrying value of approximately HK\$47.0 million (31 December 2018: nil).

Revenue recognised in this business segment during the year amounted to approximately HK\$0.5 million (2018: approximately HK\$0.7 million), representing a decrease of approximately HK\$0.2 million over last year. The decrease in gross rental income was mainly due to sales of car parking spaces during the period. In addition to the 2 newly acquired industrial building units in October 2019 as disclosed above, the Group would continue to increase the proportion of investment property for rental and capital appreciation to generate more stable rental income.

PROVISION OF PROPERTY MANAGEMENT SERVICES

The Group used to provide the property management services for our three completed projects, The Galaxy, The Star and The Rainbow, by appointing Jones Lang Lasalle Management Services Ltd. as the management agent. In order to enhance the services quality and better serve the end users, the Group took back the property management services from Jones Lang Lasalle Management Services Ltd. in the third quarter of 2019. Revenue recognised in this business segment during the year amounted to approximately HK\$2.7 million (31 December 2018: approximately HK\$1.1 million), the Group expects this segment of business to be expanded as the increase of its upcoming completed projects and provision of services to other property owners or developers.

PROVISION OF FINANCE

The Group is operating in this business segment to provide credit facilities to individuals and corporations clients for its own development projects. Revenue generated from this business segment during this year amounted to approximately HK\$7.0 million (2018: HK\$2.7 million), representing an increase of approximately HK\$4.3 million over the corresponding period last year. The increase in revenue was mainly attributable to providing credit facilities for the completed projects, The Star and The Rainbow. The Group expects this business segment will continue to growth healthily under the continuous tightening of mortgage lending policy in Hong Kong and as the increase of our completed projects.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 31 December 2019 was approximately HK\$709.1 million (31 December 2018: approximately HK\$792.6 million). As at 31 December 2019, the Group maintained bank balances and cash of approximately HK\$62.3 million (31 December 2018: approximately HK\$121.4 million). The Group's net current assets of approximately HK\$484.3 million as at 31 December 2019 (31 December 2018: approximately HK\$573.3 million). The Group had current assets of approximately HK\$3,264.7 million as at 31 December 2019 (31 December 2018: approximately HK\$3,103.7 million). The increase of current assets was mainly due to an increase in property held for sales under development as well as the new development project disclosed in above Property Development segment. The Group had current liabilities of approximately HK\$2,780.5 million as at 31 December 2019 (31 December 2018: approximately HK\$2,530.4 million). The increase of current liabilities was mainly due to a increase in bank borrowings and short term director loan. The Group's level of borrowings is disclosed under note 14 of the notes in this announcement.

The Group generally finances its operations with internally generated cashflow and bank borrowings. As at 31 December 2019, the Group had outstanding bank borrowings of approximately HK\$2,580.2 million (31 December 2018: approximately HK\$2,364.4 million). The bank borrowings as at 31 December 2019 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) increased from approximately 298.3% as at 31 December 2018 to approximately 369.4% as at 31 December 2019 and increased from approximately 283.0% as at 31 December 2018 to approximately 360.6% as at 31 December 2019 respectively due to the increase in bank borrowings and decrease in equity attributable to owners of the Company.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) increased from approximately 67.5% as at 31 December 2018 to approximately 73.3% as at 31 December 2019 due to an increase in bank borrowings.

The Group's capital commitment as at 31 December 2019 amounted to approximately HK\$99 million (31 December 2018: approximately HK\$213.6 million). The decrease of capital commitment was mainly due to the completion of The Rainbow and termination of outstanding contract upon disposal of CWK 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.

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 sites in South Korea as disclosed under Property Development section and the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in US dollars and Korean won.

As at 31 December 2019, offshore borrowings were approximately Korean Won 17 billion, which is approximately HK\$114.3 million (31 December 2018: approximately Korean Won 14 billion, which is approximately HK\$98 million), for the acquisition of 2 sites in South Korea. The offshore borrowings of bridging loan will be replaced by offshore construction loan and is expected to be repaid after the completion and disposal of South Korea Project. The finance cost remains low at approximately 3.5% as at 31 December 2019.

The Group is not subject to a 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 2019, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK\$52.0 million and HK\$3,150.9 million as well as HK\$10.3 million respectively (31 December 2018: approximately HK\$13.5 million and HK\$2,904.6 million, as well as HK\$10.1 million respectively) were pledged to secure the Group's banking facilities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Save as disclosed in this announcement the Board and the management are not 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. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

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

There was no significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the reporting period.

On 31 December 2019, Inventive Rainbow Limited, an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party to dispose of entire equity interest of Rainbow Red Holdings Limited, a property development company, for a consideration of HK\$980,000,000. An initial deposit of HK\$98,000,000 was received subsequently. The transaction was completed on 9 January 2020. A gain before tax of approximately HK\$384,000,000 is expected upon completion.

On 24 January 2020, the Group made an announcement in related to an acquisition of Metropolitan Group (BVI) Limited and its subsidiaries which is principally engaged in serviced apartment business, wine cellar and fine wine business, storage and workshop and production and other investment holding service, from a controlling shareholder of the Company, for a consideration of HK\$420,000,000. Initial deposits of HK\$42,000,000 were paid to the vendor subsequently and the remaining consideration of HK\$378,000,000 will be settled through issuing a convertible bond to the vendor upon completion. The transaction has not yet been completed up to date of the report.

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as of 31 December 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed 22 employees (31 December 2018: 16) 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 conditions particularly the property market performance; (ii) availability of suitable sites and/or existing buildings for future property development; (iii) the continuous increase of construction costs; (iv) business cycle for property under development may be influenced by a number of factors, such as delays in obtaining the Government approvals for our property development projects, and the Group's revenue will be directly affected by the mix of properties available for sale and completion; (v) all construction works are outsourced to independent third parties that they may fail to provide satisfactory services adhering to our quality and safety standards as well as within the timeline required by the Group; (vi) a majority part of our revenue principally 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 and recoverability of provision of finance which may incur bad debts during the downturn of economy; and (ix) we are subject to certain restrictive covenants and risk normally associated with borrowings which may limit or otherwise materially and adversely affect our business, results of operations and financial conditions.

The Group has a series of internal control and risk management policies to cope with the abovementioned possible risks and uncertainties, and has serious scrutiny over the selection of quality customers and suppliers. The Group has formed risk control committees to develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. 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 Novel Coronavirus Outbreak to the Group

Since late 2019 to the beginning of 2020, a novel coronavirus broke out in Wuhan, China. As the coronavirus rapidly spreads, it became a worldwide concern. It poses challenges across various industries as well as people's livelihoods. The Group has taken immediate action to minimise the impact of the coronavirus outbreak to our business operation. The Group adopted several precautionary measures to protect our workplace from outbreak by providing clear and timely guidelines to all staffs; daily following up on all staff's health status, travel history and potentially infectious contacts; providing extra sanitisation products and air purifier machine. Besides, the Group is also closely communicating with the business partners to follow-up different schedules and planning. The outbreak of coronavirus has slowed down most of the economic activities which may indirectly bring impact to the property market in Hong Kong and South Korea. However, we are optimistic that the economic dynamics will be revived after the threat. As mentioned in the Chairman's Statement, the Group will continue to monitor the market conditions while explore any new investment and growth opportunities to improve the cash flow and high fluctuation of business turnover cycle of the Group.

PROSPECT

In the second half of 2019, US-Sino trade war together with the social actions and unrest took a hit on the business environment and tourism in Hong Kong. As such, the year-end residential price indicated by Centa-City Index had dropped by about 6.8% from the record high in 2019. However, the Hong Kong residential market is resilient fueled by the deal made between America and China coming down to the trade dispute so that about 4% price increase in the residential market is recorded in the whole year of 2019.

Nevertheless, the outbreak of Noval Coronavirus (COVID-19) in China and its spreading is further dampening the weakened retail market and economy of Hong Kong, so does the Hong Kong property market, in particular the retail sector. The gloom and mourning in food and beverage as well as tourist industry are widespread. After all, we are not pessimistic about the property market in the following reasons.

First off, according to World Health Organization, this Coronavirus is the same family as SARS-CoV which struck the economy of Hong Kong after its outbreak in 2003. However, the SARS-CoV becomes a very rare disease if not none after the settlement of the epidemic in 2003. As such, we believe the epidemic of this Coronavirus is short term in nature and will be controlled or even ended in couples of months. Secondly, as this epidemic is getting the economy of China burnt, we believe the Government of China will take several measures in both monetary and fiscal policies such as injecting capital into the financial market and increasing government expenditures to help the economy to bounce back from this crisis. Along the way, the pain in Hong Kong arising from this epidemic will be mitigated. Thirdly, the American together with other western countries have a high likelihood to maintain a relatively loosen monetary policies and keep the interest rate low or even lower in the middle of the epidemic happened in China. In turn, the property market in Hong Kong will be benefited and supported in some way.

ANNUAL GENERAL MEETING

The 2020 annual general meeting (“**AGM**”) of the Company will be held on or about Wednesday, 29 April 2020 and the notice of 2020 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) in due course.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINAL DIVIDEND

The Board has resolved to recommend the payment of final dividend for the year ended 31 December 2019 of HK0.2 cents per share (the “**Final Dividend**”) to the shareholders of the Company (the “**Shareholders**”) whose name appear on the register of members (the “**Register of Members**”) of the Company on Friday, 8 May 2020. The Final Dividend is subject to approval by Shareholders at AGM of the Company to be held on or about Wednesday, 29 April 2020 and are expected to be distributed to those entitled on Thursday, 14 May 2020.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

- (a) for the purpose of determining Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 23 April 2020 to Wednesday, 29 April 2020 (both days inclusive), during which no transfer of Shares can be registered, In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company’s Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 April 2020;
- (b) for the purpose of determining Shareholders who are qualified for the entitlement to the proposed final dividend, the register of members of the Company will be closed on Thursday, 7 May 2020 to Friday, 8 May 2020, during which no transfer of Shares can be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer documents should be lodged for registration with Company’s Hong Kong share registrar at the above address not later than 4:30 p.m. on Wednesday, 6 May 2020.

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. The Company made specific enquiries to each Director and received their written confirmation of full compliance with the Model Code for the year ended 31 December 2019 and up to the date hereof and no incident of non-compliance by the directors was noted by the Company during such period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2019.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules with the exception for code provision A.2.1, which requires the roles of chairman and chief executive officer be in different individuals, throughout the period from the Listing Date up to 31 December 2019.

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.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors (“**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 2019.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing (“**HKSAs**”), Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.starproperties.com.hk). The 2019 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 11 March 2020

As at the date of this announcement, the Board consists of four executive Directors, namely Mr. Chan Man Fai Joe (Chairman), Ms. Cheung Wai Shuen, Mr. Liu Hon Wai and Mr. Pong Kam Keung; one non-executive Director, namely Mr. Yim Kwok Man; and three independent non-executive Directors, namely Dr. Wong Wai Kong, Mr. Lee Chung Ming Eric and Ms. Chan Wah Man Carman.