



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
2016



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CORPORATE INFORMATION

REGISTERED OFFICE

Clifton House
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PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Admiralty Centre
18 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.starproperties.com.hk

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

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

NON-EXECUTIVE DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

COMPANY SECRETARY

Ms. Cheung Wai Shuen (HKICS)

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

RISK CONTROL COMMITTEE

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

EXECUTIVE COMMITTEE

Mr. Chan Man Fai Joe (*Chairman*)
Mr. Lam Kin Kok
Ms. Cheung Wai Shuen
Mr. Liu Hon Wai

AUTHORISED REPRESENTATIVES

Mr. Lam Kin Kok
Ms. Cheung Wai Shuen

COMPLIANCE ADVISER

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

PRINCIPAL BANKERS

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

The Hongkong and Shanghai Banking
Corporation Limited
Basement, 29 Queen's Road Central, Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

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

CHAIRMAN'S STATEMENT

2016 was a watershed year for Star Properties Group (Cayman Islands) Limited (the "Company", together with the subsidiaries, the "Group") as the Company become a public company through listing on the mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). We feel excited that we now have a different status and a more open platform, but we also feel pressure on our shoulders because we now have responsibilities to many more public shareholders and also have to endeavor to meet their expectation.

For the existing projects, we have been working towards completing the project The Star^(Note 1) and we expect to secure the Occupation Permit around March to April 2017. On the project in Yue Fung Project^(Note 2) and CWK Project^(Note 3), good progress has been made. In addition, we have entered into two separate provisional sale and purchase agreement to acquired two new projects in Ngau Tau Kok and Yuen Long Wang Yip Street West and we plan to convert them into a high end commercial complex and a residential complex respectively. We are still actively looking for sites with redevelopment potential.

Overall speaking, we remain positive with the property market outlook in Hong Kong. There are uncertainties in the global political environment and the interest rate outlook, but we feel that the demand and supply situation in Hong Kong property market remain positive and should overwhelm the negative factors. A run away market is not expected with the banks' relatively tight mortgage policy, but the market is likely to have a gradual uptrend in 2017.

In the coming year, besides focusing on our existing projects and looking for new opportunities, we will strive to develop the brand name and profile of the Company, strengthen the financial position of the Company, and build up the infrastructure of the Company.

The Company is a very new player in the property development sector, and we will find the right occasions and programs that will help to promote the brand image and to raise public awareness. We also feel that it is our social responsibilities to help to make Hong Kong a better place.

Property development is a capital intensive industry and it is crucial for the Company to have the right set-up for capital raising. We will explore various ways of financing, including bank financing, debt and equity capital market, as well as possible collaboration with other legitimate players in the market.

In terms of infrastructure, we will work to build a stronger infrastructure in terms of system, IT and communication. We believe that efficiency is ever more important in an increasingly competitive industry environment.

Lastly, I like to express gratitude to all the staff, all counterparties in the initial public offering process and all our shareholders who gave us the vote of confidence.

Chan Man Fai Joe

Chairman

28 February 2017

Note 1: our property development project situated at The Remaining Portion of Section B of Lot No. 693 in Demarcation District No. 445, Kwai Chung, New Territories, Hong Kong and owned by Fountain Inc Limited, our wholly-owned subsidiary.

Note 2: our Investment properties situated at Yuen Long Town Lot No.374, No.22 Wang Yip Street South, Yuen Long, New Territories, Hong Kong and owned by Spring Moon Investments Limited, our wholly-owned subsidiary.

Note 3: our property development project situated at Section A of Lot No. 303 in Demarcation District No. 355, Now. 11-15 Chai Wan Kok Street, Tsuen Wan, Hong Kong and owned by Rainbow Red Holdings Limited, our wholly-owned subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULT

For the financial year ended 31 December 2016, the Group's revenue and profit attributable to owners of the Company amounted to approximately HK\$40.7 million (2015: approximately HK\$78.7 million) and approximately HK\$21.7 million (2015: approximately HK\$37.1 million) respectively.

DIVIDENDS AND BONUS ISSUE OF SHARES

The board of directors (the "Director(s)") of the Company (the "Board") does recommend the payment of final dividend of HK22 cents per ordinary share for the year ended 31 December 2016 (2015: Nil), and propose a bonus issue of shares on the basis of one bonus share for every one existing share held by the shareholders. Both are subject to the shareholders' approval.

BUSINESS REVIEW

The Group's revenue for the year ended 31 December 2016 amounted to approximately HK\$40.7 million (2015: approximately HK\$78.7 million), which represented a notable decrease of approximately HK\$38.0 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2016 was approximately HK\$21.7 million (2015: approximately HK\$37.1 million), which represented a decrease from last year. The decrease in revenue and the profit for the year ended 31 December 2016 was mainly due to (i) the non-recurring listing expenses of approximately HK\$16.9 million incurred by the Group in relation to the listing of the Company's shares on the main board of the Stock Exchange (the "Listing"); and (ii) the decrease in revenue as a result of fewer completion of sale of property development projects during the same period. The basic earnings per share for the period was approximately HK11.2 cents as compared to basic earnings per share of approximately HK22.1 cents for the corresponding period last year.

PROPERTY DEVELOPMENT

Revenue recognised in this business segment during the year amounted to approximately HK\$31.9 million (2015: approximately HK\$73.5 million). As at 31 December 2016, the Group had one completed project, namely, (i) The Galaxy; and three projects under development, namely, (ii) The Star; (iii) the Yue Fung Project and (iv) the CWK Project. A general summary and update of the current property development projects of the Group as at 31 December 2016 are listed below:

The Galaxy: Completion of the sale and purchase agreements in respect of five workshop units and ten car parking spaces amounted to HK\$31.9 million. (2015: approximately HK\$73.5 million representing approximately 10.7% of the sold units from the first sale year in 2014 to the end of 31 December 2015). The decrease in revenue for the reporting year was mainly attributable to fewer delivery of completed units compared with last year.

The Star: The construction works for The Star have been practically completed and the Group expects relevant occupation permit to be issued by the Buildings Department of the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") in March or April 2017. The pre-sold units are expected to be delivered in the first or second quarter of 2017.

Yue Fung Project: The Group has been granted approval from the Hong Kong Government on General Building Plans Submission. The Hong Kong Government has also granted the Group a special waiver allowing the existing industrial building to be converted into commercial uses. The formal execution of the special waiver is in progress and shall be completed in the first quarter or second quarter of 2017. The alternations & additions works shall be commenced in the first quarter of 2017 and expected to be completed within 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

CWK Project: The Group has sought approval from the Hong Kong Government to modify the existing government lease to allow commercial uses. The Group is in the process of negotiation with the Hong Kong Government on the land premium due to this lease modification. The demolition of the existing building is in progress and is expected to be completed in first half of 2017.

New development projects: The Group is constantly seeking to increase its land banks for future development. The Group has recently entered into two separate provisional sale and purchase agreements to acquire two industrial buildings located in Yuen Long Wang Yip Street West (the “Yuen Long site”) and Ngau Tau Kok (the “NTK site”) respectively (the “Acquisitions”). The Group intends to redevelop the Yuen Long site into a residential complex with some shops and the NTK site into a high grade commercial building respectively. The Group expects to complete both of the Acquisitions within 2017.

The Group is continuing its proactive participation in the search for land reserve for commercial, industrial and residential use to sustain its operation in the long run. The Group has also explored other ways of collaboration with external parties for development opportunities.

PROPERTY INVESTMENT

Revenue recognised in this business segment during the year amounted to approximately HK\$8.8 million (2015: approximately HK\$5.2 million), representing an increase of approximately HK\$3.6 million over last year.

NEW PROVISION OF FINANCE BUSINESS

In the fourth quarter of the year, the Group acquired 100% equity interest of Star Finance (H.K.) Limited from Galaxy Asset Management Holdings (BVI) Limited to extend certain credit facilities to other corporations and individuals with a view to earn a higher yield on its financial resources. Given the adequate liquidity and solid financial position in the future, the Group has decided to commit more resources to the provision of finance business and designated it an additional business line of the Group from 2017 in long run. The Group expects that the tightening of mortgage lending policy in Hong Kong should create opportunities and room for finance business to the Group. Apart from better utilisation of financial resources, developing this segment of business should also serve as a diversification and creating synergy with the Group’s existing segments of property related businesses as well as provide a new source of income that bring long-term benefits to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 31 December 2016 was approximately HK\$450.1 million (31 December 2015: approximately HK\$146.5 million). As at 31 December 2016, the Group maintained bank balances and cash of approximately HK\$31.8 million (31 December 2015: approximately HK\$5.7 million). The Group’s net current liabilities of approximately HK\$136.0 million as at 31 December 2016 (31 December 2015: approximately HK\$356.6 million). The Group had current assets of approximately HK\$779.3 million (31 December 2015: approximately HK\$621.0 million). The increase of current assets was mainly due to increase in property under development. The Group had current liabilities of approximately HK\$915.3 million (31 December 2015: approximately HK\$977.6 million). The decrease of current liabilities were mainly due to repayment to Directors upon listing on 13 July 2016 and increase in bank loan and the receipts in advance from the units pre-sold of The Star.

The Group generally finances its operations with internally generated cashflow, bank borrowings in Hong Kong. As at 31 December 2016, the Group had outstanding bank borrowings of approximately HK\$741.7 million (31 December 2015: approximately HK\$484.9 million). The bank loans as at 31 December 2016 were secured by the Company.

The Group's gearing ratio (the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (total borrowings net of cash and cash equivalents divided by total equity) decreased from 345.8% as at 31 December 2015 to 164.8% as at 31 December 2016 and decreased from 341.9% as at 31 December 2015 to 157.7% as at 31 December 2016 respectively due to issue of shares and shareholders' contribution upon listing on 13 July 2016.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) increased from 43.7% as at 31 December 2015 to 52.0% as at 31 December 2016 due to increase in bank borrowings.

The Group's capital commitment as at 31 December 2016 amounted to approximately HK\$320.0 million (2015: approximately HK\$158.3 million). The increase of capital commitment was mainly due to the balance for acquisition of the equity interest of a subsidiary. 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.

FOREIGN EXCHANGE

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

PLEDGE OF ASSETS

As at 31 December 2016, the Group's investment properties (including under construction and pending revitalization) and properties held for sale, with carrying value of approximately HK\$539.4 million and HK\$682.4 million (31 December 2015: approximately HK\$494.8 million and HK\$508.4 million) were pledged to secure the Group's banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group employed 7 employees (31 December 2015: 7) and appointed 9 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 medical, on-the-job and external training to staff are also provided. The Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Group maintains a good relationship with its employees.

MANAGEMENT DISCUSSION AND ANALYSIS

POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its businesses, financial condition, operations and prospects based on its risk management system and considered that the major risks and uncertainties that may affect the Group included (i) Hong Kong economic conditions which may directly affect the property market; (ii) availability of suitable sites and/or existing buildings for future property development; (iii) the continuous increase of construction costs in Hong Kong in recent years; (iv) business cycle for property under development may be influenced by a number of factors, such as delays in obtaining the Hong Kong Government approvals for our property development projects, and the Group's revenue will be directly affected by the mix of properties available for sale and completion; (v) all construction works are outsourced to independent third parties that they may fail to provide satisfactory services adhering to our quality and safety standards as well as within the timeline required by the Group; (vi) fluctuations of fair value gain or loss incurred on financial assets and investment properties; and (vii) credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy. In response to the abovementioned possible risks, the Group has a series of internal control and risk management policies to cope with the possible risks and has serious scrutiny over the selection of quality customers and suppliers. The Group has formed various committees to develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. For possible risks, the Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company listed its shares on the Main Board of the Stock Exchange on 13 July 2016. Net proceeds from the Listing were approximately HK\$75.0 million (after deduction of the underwriting commission and relevant expenses), which are intended to be applied in the manner as disclosed in the Prospectus. As at 31 December 2016, the net proceeds from the Listing amounting to approximately HK\$34.0 million were utilised solely for acquiring of suitable development site in Hong Kong to replenish the Group's land bank for property development business where 70% of the total net proceeds, being approximately HK\$52.5 million, were assigned thereto. The unutilised net proceeds from the Listing have been deposited in the bank accounts of the Group.

PROSPECT

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

Through the Listing, not only the Group can raise funds from the capital market and apply them to acquire suitable development sites to replenish the Group's land bank for property development, our management believe that the Group will also be able to gain access to capital market for future secondary fund raising for further expansion plans as and when necessary through the issuance of equity and/or debt securities, with relatively lower financing cost as compared with banking financing as can be obtained by a private company.

The Group will proactively looking for feasible development projects and to replenish our land bank for commercial, industrial and residential development. The Group will also take advantage of the market opportunities to acquire yield-enhancing investment properties to generate a recurring and stable rental income to the Group.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chan Man Fai Joe (陳文輝), aged 58, 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 35 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. Lam Kin Kok (林建國), aged 52, is an executive Director of the Company since 14 March 2016. Mr. Lam is also a member of the executive committee and risk control committee focusing on industry risk. Mr. Lam is the head of project development department and is primarily responsible for overseeing all property development projects of the Group. Since October 2014, Mr. Lam has been a managing Director of Star Properties (HK) Limited (“Star Properties”). Mr. Lam has around 26 years of property development and project management experience. Prior to joining the Group, Mr. Lam held various senior positions in reputable and sizeable property developers. Mr. Lam has been a member of Hong Kong Institute of Architects and a registered architect under Architects Registration Board in Hong Kong and has held a corporate membership of the Royal Institute of British Architects since December 1992, July 1993 and October 1996, respectively. Mr. Lam graduated with a degree in Bachelor of Arts in Architectural Studies in November 1988 and subsequently with a Bachelor of Architecture from The University of Hong Kong in December 1990. Mr. Lam also obtained a Master of Science degree in Architecture from University College London, United Kingdom in November 1997.

Ms. Cheung Wai Shuen (張慧璇), aged 41, 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 since November 2010 and October 2014 respectively. Ms. Cheung has over 17 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 was elected as an associate of The Institute of Chartered Secretaries and Administrators and admitted associate of The Hong Kong Institute of Chartered Secretaries both in January 2014. 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.

Mr. Liu Hon Wai (廖漢威), aged 50, 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. Since September 2015, Mr. Liu has been a managing Director of Star Properties. Mr. Liu has over 22 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Pong Kam Keung (龐錦強), aged 55, is a non-executive Director of the Company since 14 March 2016. Mr. Pong is also a member of the risk control committee focusing on compliance related matters. Mr. Pong is currently an executive Director of Sundart Holdings Limited (stock code: 1568), a company listed on the Main Board of the Stock Exchange and an integrated fitting-out contractors in Hong Kong and Macau. Mr. 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 and a degree in Master of Corporate Governance, from the Hong Kong Polytechnic University in October 2008. Mr. 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. Mr. Pong is registered as a chartered building engineer by the Chartered Association of Building Engineers in February 2014.

Mr. Yim Kwok Man (嚴國文), aged 48, is a non-executive Director of the Company since 14 March 2016. Mr. Yim is the chairman of the nomination committee and also the chairman of the risk control committee focusing on compliance related matters. Mr. Yim has over 20 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), a company listed on the Main Board of the Stock Exchange since November 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shiu Siu Tao (蕭少滔), aged 53, is an independent non-executive Director of the Company since 27 June 2016. Mr. Shiu is the chairman of the remuneration committee and a member of the audit committee and nomination committee. Mr. Shiu has more than 13 years of experience in corporate finance and he has been a Director of First Capital International Finance Limited since February 2016. Mr. Shiu graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration degree in December 1990. He obtained a diploma certificate from the HEC Paris School of Management (Ecole des Hautes Etudes Commerciales) in Paris, France in July 1992. Since October 2016, Mr. Shiu has been a responsible officer licensed to conduct type 6 (advising on corporate finance) regulated activity regulated activity under the Securities and Futures Ordinance ("SFO").

Mr. Lee Chung Ming Eric (李仲明), aged 52, 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 has been a Director of LWK Partners (HK) Ltd., an architectural firm, since September 2010. 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 is also qualified as an authorised person (list of architects) by the Buildings Department.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan Wah Man Carman (陳華敏), aged 48, is an independent non-executive Director of the Company since 27 June 2016. Ms. Chan is the chairman of the audit committee and a member of the remuneration committee. Ms. Chan possesses over 21 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 Practising Accountant of CPA Australia since July 2005 and April 2005, respectively. Since November 2011, she has been a responsible officer licensed to conduct type 6 (advising on corporate finance) regulated activity and a representative licensed to conduct type 9 (asset management) regulated activity under the SFO. Ms. Chan has been an independent non-executive Director of Fuguiniao Co., Ltd (stock code: 1819), a company listed on the Main Board of the Stock Exchange, since June 2014.

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 15 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.

Kan Chi Chung (簡志聰), 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. Kan has over 19 years of experience in the fields of property development, quantity surveying and project management. Mr. Kan graduated from Curtin University of Technology Australia with a Bachelor of Applied Science Construction Management & Economics degree through long distance learning in April 2002.

He subsequently obtained a Master of Science in Project Management degree at Hong Kong Polytechnic University in December 2007. Mr. Kan has been a member of the Australian Institute of Project Management, Hong Kong Institute of Project Management, and Association of Cost Engineers since September 2013, August 2013 and June 2013, respectively.

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 8 years of experience in client services and management. She also has experience in fund and account portfolio administration. Ms. Hui graduated from the Chinese University of Hong Kong and obtained a Bachelor of Business Administration degree in December 2004. 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.

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 2016 (the "Annual Report").

The Board is committed itself to enhance the standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting 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 increasingly stringent regulatory requirements, and to fulfill its commitment to excellent corporate governance.

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 Rules Governing Listing of Securities on the Stock Exchange (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 2016.

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. Taking into account the continuation of the implementation of our business plans, our Directors (including our independent non-executive Directors) consider Mr. Chan Man Fai Joe 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 9 Directors, with 4 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors ("INEDs"). The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of non-executive Directors in the Board bring independent judgement on issues relating to the Group's strategy, performance to ensure that the interests of all shareholders of the Company have been duly considered.

Each of the non-executive Directors has entered into a service contract for a term of 3 years and is subject to termination by either party giving not less than three months' prior written notice to the other.

The Board considers that all of the INEDs are independent and has received from each of them the annual confirmations of independence required by the Listing Rules.

Since the appointment and up to the date of this report, the Board consists of the following Directors and attendance of each Director at three Board meetings of the Company held are set out as follows:

	Attendance/Number of Board meetings held during tenure
Executive Directors:	
Mr. Chan Man Fai Joe	3/3
Mr. Lam Kin Kok	3/3
Ms. Cheung Wai Shuen	3/3
Mr. Liu Hon Wai	3/3
Non-executive Directors:	
Mr. Pong Kam Keung	3/3
Mr. Yim Kwok Man	3/3
Independent non-executive Directors:	
Mr. Shiu Siu Tao	3/3
Mr. Lee Chung Ming Eric	3/3
Ms. Chan Wah Man Carman	3/3

The profiles of all Directors are set out on pages 9 to 11 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 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. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. 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, Director 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. Prior to the Listing Date, all Directors, namely Mr. Chan Man Fai Joe, Mr. Lam Kin Kok, Ms. Cheung Wai Shuen, Mr. Liu Hon Wai, Mr. Pong Kam Keung, Mr. Yim Kwok Man, Mr. Shiu Siu Tao, Mr. Lee Chung Ming Eric and Ms. Chan Wah Man Carman, had received induction training on the first occasion of his appointment, so as to ensure that they have appropriate understanding of the business and operations of the Group and that they are sufficiently aware of their responsibilities and obligations under the Listing Rules.

All Directors have provided to the Company with their training records on a regular basis, and such records have been maintained by the Company for accurate and comprehensive record keeping.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY

The Board has adopted a board diversity policy (the “Policy”) on 27 June 2016.

Purpose

This Policy aims to set out the approach to achieve diversity on the Company’s Board.

Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy Statement

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. 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.

Measurable Objectives

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.

Monitoring and Reporting

The nomination committee will report annually, in the Corporate Governance Report, on the Board’s composition under diversified perspectives, and monitor the implementation of this Policy.

Review of this Policy

The nomination committee will review 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.

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 2016 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 2016 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 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 period from the Listing Date to 31 December 2016.

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, which are available on the websites of the Company and the Stock Exchange. Currently, the audit committee comprises three INEDs, including, Ms. Chan Wah Man Carman (chairman of the audit committee), Mr. Lee Chung Ming Eric and Mr. Shiu Siu Tao.

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 2016. Since the Listing date and up to the date of this report, three 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 Deloitte Touche Tohmatsu, the external auditor of the Company, for the year ended 31 December 2016 amounted to HK\$ 815,000 (2015: HK\$ 708,000), and those in relation to non-audit service amounted to HK\$ 1,259,000 (2015: HK\$170,000)

The Board or the audit committee is satisfied with, inter alia, the audit fees, effectiveness of the audit process, independence and objectivity of Deloitte Touche Tohmatsu and has recommended to the Board the re-appointment of Deloitte Touche Tohmatsu 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. Currently, the remuneration committee comprises two INEDs, including, Mr. Shiu Siu Tao (chairman of the remuneration committee) and Ms. Chan Wah Man Carman, and one executive Director, 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.

Since the Listing date and up to the date of this report, one remuneration committee meeting was held to reviewed remuneration policies and structure for the Directors and senior management of the Group, during which all members were present in the meeting.

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, which are available on the websites of the Company and the Stock Exchange. Currently, the nomination committee comprises one non-executive Director, Mr. Yim Kwok Man (chairman of the nomination committee), two INEDs, including, Mr. Shiu Siu Tao and Mr. Lee Chung Ming Eric and one executive Director, Mr. Chan Man Fai Joe.

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.

Since the Listing Date and up to the date of this report, one nomination committee meeting was held to 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), Mr. Lam Kin Kok, Mr. Liu Hon Wai and Ms. Cheung Wai Shuen.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk control committee was established on 27 June 2016 and it comprises two non-executive Directors, including, Mr. Yim Kwok Man (chairman of the risk control committee) and Mr. Pong Kam Keung, and three executive Directors, Mr. Chan Man Fai Joe, Mr. Lam Kin Kok 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, and for providing regular reports to the Internal audit and executive Director.

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 systems of risk management and internal control of the Group over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and procurement. Additionally, the heads of major business and corporate functions were required to undertake control self-assessments of their key controls. These 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.

Since the Listing date and up to the date of this report, two risk control committee meetings were held to reviewed the internal control and risk management of the Group, during which all members were present in the meeting. During the year under review, 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.

The Company has appointed Lego Corporate Finance Limited as our compliance adviser on 1 February 2017, which upon enquiry our Company will provide advice and guidance to us with respect to compliance with the Listing Rules. Before we propose to enter into transactions to which Chapters 14 and 14A of the Listing Rules apply, we will consult with the compliance adviser (so long as it remains as the compliance adviser of our Company) and/or seek independent legal advice in relation to the compliance with the relevant requirements under the Listing Rules.

COMPANY SECRETARY

Ms. Cheung Wai Shuen, who was appointed as a full-time company secretary of the Company since 14 March 2016, reports directly to the Board and is responsible for, *inter alia*, providing updated and timely information to all Directors from time to time. Upon the Listing date, Ms. Cheung has complied with Rule 3.29 of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2016, 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 34 to the consolidated financial statements of 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.

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 Unit 1203A, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, 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.

CORPORATE GOVERNANCE REPORT

- 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. Since the Listing date and up to the date of this report, 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.

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 2016, 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 35–39 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the Environmental, Social and Governance (“ESG”) Report prepared by the Group pursuant to the Environmental, Social and Governance Reporting Guide provided in Appendix 27 to the Listing Rules on the Stock Exchange. This report covers our operation in Hong Kong for the financial year end 31 December 2016 and discloses information on the Group’s ESG management approach, strategy, priorities and objectives. The Board has reviewed and approved this ESG report.

In 2016, the Group has been attaching much importance to environmental and social responsibility work, integrated the ideas of environmental and social responsibility into the Group’s operation and management activities. The implementation of our ESG strategy is the responsibility of the Board and employee’s participation is vital to the success of it.

A. ENVIRONMENTAL

The Group has introduced Green Office Programme (the “Programme”) to reduce the energy consumption in daily office operation and enhance the efficiency of use of resources. The Programme includes below practices:

1. EMISSION — MEASURES TO REDUCE CARBON EMISSION INCLUDE:

- Widespread adoption of multi-function photocopiers (with printing, scanning and fax functions).
- Encourage employees to take the most efficient travelling method.

2. USE OF RESOURCES

- “Switch-off” policy for all idle equipment; encouraging employees to switch off (or onto energy-saving mode) computers, monitors and other electrical appliances at the end of the working day or other times when they are not in use.
- Optimized use of natural light in offices and maintain the office temperature at 25°C, which reduce the usage of excess electricity energy for lighting and air-conditioning.

3. THE ENVIRONMENTAL AND NATURAL RESOURCES — MINIMIZE THE OPERATION IMPACT ON THE ENVIRONMENT AND NATURAL RESOURCES

- Minimize the use of paper by encouraging double side printing, paper recycling.
- Adoption of “Order less, Waste less” policy to reduce paper waste at company functions.
- Promote Paperless Environment by encouraging the use of soft and electronic copy for the document instead of hard copy, which has significant reduction on paper in the fourth quarter of 2016 by 50%.
- Select the social responsible service provider. The Group has appointed Konica Minolta to provide the scanning and record keeping services since September 2016, the Group has considered Konica Minolta is actively getting involve in social responsibilities, including implement career development programs for female employee and proactive hiring and utilization of global human resources. They also placed 35 new models of certified Green Products on the market in 2015, which had a CO₂ emissions reduction effect during product use of 51.5 thousand tons and represented 27.7 thousand tons in effectively used resources.

The Group continued to incorporate social, economic 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 creative, 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.

4. SOCIAL ASPECT

1. Employment

The Group offer competitive remuneration packages to our employees, with discretionary bonuses issued based on individual performance and our business performance. The Group also provide medical insurance coverage for our employees, and during the financial year end 31 December 2016, the Group complied with Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and other labour related laws and regulations.

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 Board believes that it is in substantial compliance with such requirements for the financial year ended 31 December 2016. The Group's liability to the employees is covered by insurance, which are required by law to take out. The Board further confirmed that there was no material violation of currently applicable safety regulations nor were there any material employee safety issues involving the Group. For the financial year ended 31 December 2016, no fines or penalties for non-compliance of safety laws and regulations were imposed on the Group.

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.

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 both on-the-job and external training which include staff orientation, training on information technology, anti-corruption and first-aid together with professional membership reimbursements, etc. The Group also provided training and assisted our relevant employees in completing the mandatory basic safety training courses and fulfilling the continuous professional training hour requirement.

4. Labour Standards

The Group is committed to protecting human rights. The Group complies with all relevant laws and regulations towards the use of forced labor and child labor in our business operations. 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

The Group outsourced different parts of the construction work to qualified general construction contractors. Consistent with the market practice, the Group engages a contractor for construction of foundation work, as well as a main contractor for the superstructure works, and the continuous supervision of the works undertaken by such contractors. These contractors are registered licensed building contractor certified by the Buildings Department. The Group would ensure the contractors possess such licences by checking against the register of 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 conducts due diligence procedures on our contractors, such as inspecting their credentials and paying site visits of their offices and property projects and carefully evaluates the suitability of each potential contractor before determining whom to award the contract. The Group would also conduct comparison between the submitted tenders in terms of quantity, rate and amount. The project development department monitors cost control and construction progress closely during construction with periodic on-site supervision and stringent quality control procedures.

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 review 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 based on our experience in doing business with them. Further, it is our responsibility of our contractors to procure construction materials, 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 materials or goods materials to ensure they meet our requirements and specifications in accordance with relevant laws, rules 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 to us information such as the origin, price and the relevant production certificates to ensure that the quality complies with our requirement, and all materials and types, standards, quality of the raw materials must also be in the satisfaction of the architectural firm. Our consultants conduct periodic quality checks on the building materials and workmanship on site. Our consultants also monitor the on-site progress, submit monthly progress reports to our project development department and conduct regular inspection of our construction sites to ensure quality and safety. As at the year ended 31 December 2016, the Group has complied 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.

The Group provides 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 follow-up and rectification with no additional costs.

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. No cases of corruption were reported within the Group during the financial year ended 31 December 2016.

8. Community Investment

The Group targets to dedicate itself to take up its corporate social responsibility for the communities where it is present. The Group aims to address community concerns through engaging in volunteer work and charity donation. The Group also encourages the employees to pursue their personal passions and dedicate their time and skills to support the local communities.

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise property development and property investment in Hong Kong, details of which are set out in note 5 of the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 4 March 2016. The Group underwent a reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the initial public offering of the shares of the Company on the Main Board of the Stock Exchange (the "Share Offer"). Details of the Reorganisation are set out in the Company's prospectus dated 30 June 2016 in respect of the Share Offer. The shares of the Company were listed on the Main Board of the Stock Exchange by way of the Share Offer with effect from 13 July 2016 (the "Listing Date").

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 the Listing Date (if any); and an indication of likely future developments in the Group's business, are included in the Chairman Statement and Management Discussion and Analysis set out in this annual report on page 4 and pages 5 to 8 respectively. The discussion and analysis form part of this Report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group continued to incorporate social, economic 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 creative, 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 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

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 year.

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 2016 and the Group's the financial position at that date are set out in this Annual Report on pages 40–42. The summary of the result of the assets and liabilities of the Group for the last four financial years are also set out on page 98 in this annual report.

DIVIDENDS

No interim dividends were paid during the year. The Board now recommends a final dividend of HK22 cents per share in respect of the year ended 31 December 2016. Subject to approval by the shareholders of the Company at forthcoming annual general meeting, such dividends will be payable on or about 19 May 2017.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Monday, 24 April 2017 to Thursday, 27 April 2017, both days inclusive, and no transfer of shares of the Company will be registered in such period. In order to qualify for attending and voting at the Annual General Meeting ("AGM"), all transfers of Shares accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4: 30 p.m. on Friday, 21 April 2017.

REPORT OF THE DIRECTORS

BORROWING FACILITIES

Particulars of the borrowing facilities of the Group as at 31 December 2016 are set out in note 25 of the consolidated financial statement.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment, of the Group during the year are set out in notes 13 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 14 and 17 to the consolidated financial statements respectively.

SHARE CAPITAL

Particular of the movements in share capital of the Company are set out in note 26 to the consolidated financial statements.

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 43 and in note 38 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the largest supplier and the top five largest suppliers accounted for approximately 89% and 93% of our total cost incurred of the Group during the year respectively. Our top five suppliers comprised contractors, architectural firms, and consultancy service providers. For the year ended 31 December 2016, the revenue generated from the largest customer and the top five largest customers of the Group represented approximately 15% and 49% of the total revenue of the Group during the year respectively. Our top five customers were one-off purchasers for the completed units of The Galaxy.

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
Mr. Lam Kin Kok
Ms. Cheung Wai Shuen
Mr. Liu Hon Wai

Non-executive Directors:

Mr. Pong Kam Keung
Mr. Yim Kwok Man

Independent non-executive Directors:

Mr. Shiu Siu Tao
Mr. Lee Chung Ming Eric
Ms. Chan Wah Man Carman

The profiles of all Directors are set out on pages 9 to 11 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, 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 our Company and the 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 which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise 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 were as follows:

Name of our Directors/ chief executive	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding interests in our Company (%)
Chan Man Fai Joe	Interest of a controlled corporation	154,336,000	68.9 (Note 1)
Lam Kin Kok	Interest of a controlled corporation	13,664,000	6.1 (Note 2)

Notes:

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

Save as disclosed above, as at 31 December 2016, none of our Directors or chief executive of our Company had registered an interest or short positions in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The Company entered into a service contract with each of our executive Directors and non-executive Directors and a letter of appointment with each of our INEDs on 27 June 2016. Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the Listing Date.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

Save as disclosed in notes 9, 24 and 34 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as our Directors are aware, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders, other than those disclosed in the section headed "Directors' Interests in Securities", had notified the Company and the Stock Exchange of relevant interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

Notes:

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

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDER

Mr. Chan Man Fai Joe, the controlling shareholders of the Group, had entered into a Deed of Non-completion 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-completion during the period from the date of signing the Deed of Non-competition until 31 December 2016.

The INEDs have also reviewed such confirmations on the undertakings of the Deed of Non-competition by Mr. Chan Man Fai Joe during the period from the date of signing the Deed of Non-competition until 31 December 2016 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.

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

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 (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.

As at the date of this Annual Report, the issued share capital of the Company is HK\$2,240,000, divided into 224,000,000 Shares, all fully paid or credited as fully paid.

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. No share option has been granted since the adoption of the share option scheme up to 31 December 2016.

REPORT OF THE DIRECTORS

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

Name of Directors	Date of Grant	Exercise Period	Exercise Price	Number of shares subject to outstanding options	Approximate percentage of the issued shares of the Company
Chan Man Fai Joe	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$2.06 per Share	2,240,000	1
Lam Kin Kok	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$2.06 per Share	2,240,000	1
Cheung Wai Shuen	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$2.06 per Share	2,240,000	1
Liu Hon Wai	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$2.06 per Share	2,240,000	1
Yim Kwok Man	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$2.06 per Share	224,000	0.1
Pong Kam Keung	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$2.06 per Share	224,000	0.1
Shiu Siu Tao	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$2.06 per Share	224,000	0.1
Lee Chung Ming Eric	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$2.06 per Share	224,000	0.1
Chan Wah Man Carman	25 January 2017	25 January 2018 to 12 July 2026 (both days inclusive)	HK\$2.06 per Share	224,000	0.1

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

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 since the Listing Date and up to 31 December 2016.

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 2016, 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 period from the Listing Date up to 31 December 2016, 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 12 to 20 of this Annual Report.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, 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 34 to the consolidated financial statements of 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.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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 2016.

REPORT OF THE DIRECTORS

EVENTS AFTER REPORTING PERIOD

The significant events happened after the reporting period ended 31 December 2016 are set out in note 39 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Chan Man Fai Joe
Chairman

Hong Kong, 28 February 2017



**TO THE SHAREHOLDERS OF
STAR PROPERTIES GROUP (CAYMAN ISLANDS) LIMITED**

(incorporated in the 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 40 to 95, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2016, 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 FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties</p> <p>We identified the valuation of investment properties as a key audit matter due to significant management estimations involved in the valuation.</p> <p>As at 31 December 2016, the Group had investment properties at a carrying amount of HK\$573,990,000 (42% of total assets), with a gain arising on change in fair value of investment properties amounting to HK\$39,545,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.</p> <p>As disclosed in note 14 to the consolidated financial statements, the investment properties of the Group comprised of carpark spaces under construction of HK\$25,420,000; an industrial building pending revitalisation of HK\$514,000,000; carpark spaces in a completed investment property of HK\$28,680,000; and a commercial unit of HK\$5,890,000, which are all located in Hong Kong as at 31 December 2016. In determining the fair value of the relevant properties, the Board of Directors of the Company has set up a valuation team to work with the independent qualified valuers to establish the appropriate valuation techniques and inputs to the model.</p> <p>As further disclosed in note 14 to the consolidated financial statements, carpark spaces under construction and an industrial building pending revitalisation were valued using the residual appraisal method and the significant unobservable inputs were unit sale rate, monthly market rent, expected developer's profit margin, estimated total construction cost to complete and estimated total renovation cost to complete. The carpark spaces in a completed investment property was valued using direct comparison approach and the significant unobservable input was unit sale rate. The commercial unit was valued using income approach and the significant unobservable inputs were monthly market rent and capitalisation rate.</p>	<p>Our procedures in relation to the valuation of investment properties included:</p> <ul style="list-style-type: none"> • Evaluating the independent qualified valuers' competence, capabilities and objectivity and reviewing their terms of engagement with the Group; • Discussing with the valuers to understand their approaches to determine the fair values of each investment property to assess if the requirements of HKFRS13 Fair Value Measurement and the industry norms have been met; • Evaluating the feasibility of the revitalisation plan by checking to the correspondences between the Group and Lands Department and assessing the Group's capabilities to fulfil the conditions outlined in the special waiver offer; • Evaluating the appropriateness of unit sales rate used in the valuations of carpark spaces by comparing the unit sale rate to recent sales transactions for similar properties in similar locations; • Evaluating the appropriateness of monthly market rent used in the valuations of industrial building pending revitalisation and a commercial unit by comparing the monthly market rent to the term of existing lease or fair market rent for similar properties in similar locations and evaluating whether the capitalisation rate adopted are comparable to the market; and • Assessing the appropriateness of estimated construction cost to complete for investment properties under construction and investment properties pending revitalisation by comparing the costs incurred to date against the budgets and evaluating whether the expected developer's profit margins are comparable to the market.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of properties held for sale</p> <p>We 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.</p> <p>As at 31 December 2016, the Group had properties held for sales at a carrying amount of HK\$691,529,000 (51% of total assets), which included completed properties of HK\$9,084,000 and properties under development of HK\$682,445,000, which are all located in Hong Kong, as disclosed in note 17 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 costs to complete and the estimated costs necessary to make the sales. 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.</p>	<p>Our procedures in relations to valuation of properties held for sale included:</p> <ul style="list-style-type: none"> 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 and 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 future costs to completion, on a sample basis, to the actual development cost of similar completed properties of the Group and their adjustments to current market data.

OTHER INFORMATION

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.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, 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.

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

- 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.

We communicate with those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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.

The engagement partner on the audit resulting in the independent auditor's report is Wu Chung Ming.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Revenue	5	40,688	78,672
Cost of sales and services		(13,695)	(42,709)
Gross profit		26,993	35,963
Other income	6	3,709	5,963
Gain arising on change in fair value of investment properties	14	39,545	16,402
Selling expenses		(1,391)	(1,189)
Administrative expenses		(19,939)	(10,139)
Listing expenses		(16,905)	(864)
Finance costs	7	(7,533)	(4,006)
Profit before tax	8	24,479	42,130
Income tax expense	11	(2,740)	(5,028)
Profit for the year and total comprehensive income for the year		21,739	37,102
Earnings per share (in HK cents)			
Basic	12	11.2	22.1
Diluted	12	11.2	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Plant and equipment	13	159	637
Investment properties	14	573,990	523,450
Deferred tax asset	15	1,051	523
Goodwill	28	—	—
Loan receivables	16	11,449	—
		586,649	524,610
Current assets			
Properties held for sale	17	691,529	528,269
Trade and other receivables	18	20,993	23,277
Deposits paid	19	33,998	—
Amounts due from related companies	20	—	1,819
Stakeholder's accounts	21	925	61,875
Bank balances and cash	21	31,809	5,718
		779,254	620,958
Current liabilities			
Trade and other payables	22	171,259	118,192
Amounts due to related companies	23	—	7,414
Amounts due to directors	24	—	365,997
Tax liabilities		2,324	1,119
Borrowings	25	741,663	484,861
		915,246	977,583
Net current liabilities		(135,992)	(356,625)
Total assets less current liabilities		450,657	167,985
Non-current liabilities			
Deferred tax liabilities	15	529	—
Borrowings	25	—	21,530
		529	21,530
Net assets		450,128	146,455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Capital and reserves			
Share capital	26	2,240	2
Reserve		447,888	146,453
Total equity		450,128	146,455

The consolidated financial statements on pages 40 to 95 were approved and authorised for issue by the Board of Directors on 28 February 2017.

Chan Man Fai Joe
DIRECTOR

Lam Kin Kok
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital HK\$'000	Share premium HK\$'000	Shareholders' contribution HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2015	2	—	—	108,618	108,620
Profit and total comprehensive income recognised for the year	—	—	—	37,102	37,102
Net loss retained by Galaxy Real Estate Investment Management Limited ("GREIM") (Note i)	—	—	—	733	733
At 31 December 2015	2	—	—	146,453	146,455
Profit and total comprehensive income for the year	—	—	—	21,739	21,739
Effect from group restructuring (Note ii)	(2)	—	—	—	(2)
Issue of new shares (Note 26(e))	560	100,240	—	—	100,800
Issue of new shares by capitalisation (Note 26(f))	1,680	(1,680)	—	—	—
Waiver of amounts due to directors (Note iii)	—	—	190,000	—	190,000
Expense incurred in connection with the issue of new shares (Note 26(e))	—	(8,864)	—	—	(8,864)
At 31 December 2016	2,240	89,696	190,000	168,192	450,128

Notes:

- (i) The loss in respect of operation of the project management services for the Group's property projects (the "Project Management Business") carried out by GREIM prior to 1 April 2015 was legally belonged to GREIM. The net loss retained by GREIM represented the funding provided by GREIM to the Project Management Business prior to the completion of business transferred.
- (ii) The amount represents the different between the Company's HK\$10 share capital credited as fully paid and the aggregated share capital of the companies comprising the Group amounting to HK\$1,572 which were under common control of Mr. Chan Man Fai Joe and Mr. Lam Kin Kok before 22 March 2016 pursuant to the group restructuring (see details in note 26).
- (iii) On 13 July 2016, Mr. Chan Man Fai Joe and Mr. Lam Kin Kok, being the directors and controlling shareholders of the Company, waived the balances due to them of HK\$174,420,000 and HK\$15,580,000, respectively. The aggregate amount of HK\$190,000,000 has been capitalised as shareholders' contribution.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	24,479	42,130
Adjustments for:		
Depreciation of plant and equipment	95	150
Finance costs	7,533	4,006
Gain arising on change in fair value of investment properties	(39,545)	(16,402)
Interest income	(623)	(638)
Impairment on goodwill	28	—
Loss on disposal of plant and equipment	213	—
Loss of the Project Management Business retained by GREIM	—	733
Operating cash flows before movements in working capital	(7,820)	29,979
Decrease (increase) in trade and other receivables	2,441	(22,058)
Increase in properties held for sale	(151,204)	(35,983)
Decrease (increase) in stakeholder's accounts	60,950	(51,353)
Increase in trade and other payables	53,058	32,303
Cash used in operations	(42,575)	(47,112)
Income tax paid	(1,534)	(40,110)
NET CASH USED IN OPERATING ACTIVITIES	(44,109)	(87,222)
INVESTING ACTIVITIES		
Cash outflow for acquisition of a subsidiary (<i>note 28</i>)	(7)	—
Settlement of debt assigned in an acquisition of a subsidiary (<i>note 28</i>)	(1,247)	—
Deposits paid (<i>note 19</i>)	(33,998)	—
Purchase of plant and equipment	(60)	(136)
Proceeds from disposal of plant and equipment	230	—
Additions to investment properties	(10,995)	(472,448)
Advances to related companies	(120)	(1,043)
Advances of loan receivables	(10,800)	—
Repayments of loan receivables	429	—
Repayments from related companies	1,939	7,651
Interest income	623	638
NET CASH USED IN INVESTING ACTIVITIES	(54,006)	(465,338)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
FINANCING ACTIVITIES		
Interest paid	(24,839)	(9,993)
Bank borrowings raised	326,002	280,637
Repayment of a bank borrowing	(69,200)	—
Advances from related companies	—	912
Advances from directors	18,437	266,318
Repayments of loans from related companies	(16,280)	—
Repayments of amounts due to related companies	(7,414)	(764)
Repayments to directors	(194,436)	—
Proceeds from issue of shares	100,800	—
Expenses incurred in connection with the issue of new shares	(8,864)	—
NET CASH FROM FINANCING ACTIVITIES	124,206	537,110
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,091	(15,450)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	5,718	21,168
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	31,809	5,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL, GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 4 March 2016. Its registered office is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Unit 1203A, 12/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The Company's immediate and ultimate holding company is Star Properties Holdings (BVI) Limited, a company incorporated in the British Virgin Islands. 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 Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2016 ("Listing").

The Company is an investment holding company. The Company's subsidiaries are principally engaged in property development and property investment.

The consolidated financial statements are presented in Hong Kong Dollar ("HK\$"), which is the same as the functional currency of the Company and its subsidiaries.

To rationalise the corporate structure in preparation for the Listing, the entities comprising the Group underwent a group reorganisation (the "Reorganisation") which mainly involved (i) incorporation of the Company as an exempted company with limited liability in the Cayman Islands on 4 March 2016 and (ii) interspersing investment holding companies, including the Company, between the operating subsidiaries and the ultimate equity shareholders, Mr. Chan Man Fai Joe and Mr. Lam Kin Kok (the "Controlling Shareholders"). Upon completion of the Reorganisation, the Company became the holding company of the Group on 18 March 2016.

GREIM, which is controlled by the Controlling Shareholders, was engaged in the provision of Project Management Business. On 1 April 2015, GREIM (as assignor) and Star Properties (HK) Limited (as assignee) entered into a deed of assignment whereby GREIM transferred the Project Management Business to Star Properties (HK) Limited at nil consideration with effect on 1 April 2015. Financial information of the Project Management Business recorded in the books of GREIM prior to the transfer is included in the consolidated financial statements for the year ended 31 December 2015.

The Group resulting from the group restructuring is regarded as a continuing entity. Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the years ended 31 December 2016 and 31 December 2015 included the results of operation, changes in equity and cash flows of the companies now comprising the Group which have been prepared by applying the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the group structure upon the completion of the group restructuring had been in existence throughout the periods or since their respective dates of incorporation or establishment where this is a shorter period. The consolidated statement of financial position as at 31 December 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date.

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

APPLICATION OF AMENDMENTS TO HKFRSs

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10 HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NEW AND AMENDMENTS TO HKFRSs ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investment that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipates that the application of HKFRS 15 in the future may not have material impact on the amounts reported in the Group's consolidated financial statements.

HKFRS 16 LEASES

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are currently presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately HK\$2,393,000 as disclosed in note 29.

The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

AMENDMENTS TO HKAS 7 DISCLOSURE INITIATIVE

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will not have material impact on the Group's financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 leasing transactions that are within the scope of HKAS 17, 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.

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 below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

BUSINESS COMBINATIONS

Acquisitions of businesses 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.

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 excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

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

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of 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 interest.

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

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from buyers prior to meeting the above evidence for revenue recognition are included in the consolidated statement of financial position under current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

(b) Rental income

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

(c) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating lease 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.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

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.

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.

RETIREMENT BENEFITS COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENT ARRANGEMENTS

Equity-settled share-based payment transactions

Equity-settled share-based payments to directors of the Company and other employees of 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.

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 option reserve will be transferred to retained earnings.

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 (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

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.

Current and deferred tax are recognised in profit or loss.

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.

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 transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values. 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.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Property that is being constructed or developed for future use as investment property is classified as investment property. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

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 is included in the profit or loss in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTIES HELD FOR SALE

Completed properties and properties under development for sale are stated in the consolidated statement of financial position at the lower of cost and net realisable value on an individual property basis. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policies, and other attributable expenses. Net realisable value is calculated at the actual or estimated selling price less the estimated costs to complete and the estimated costs necessary to make the sales.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, trade receivables for rental income, deposits and other receivables, amounts due from related companies, stakeholder's accounts and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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 a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including construction payables, retention payables, amounts due to related companies, amounts due to directors and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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.

IMPAIRMENT ON TANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 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. 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 as income immediately.

FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, 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 JUDGMENT IN APPLYING ACCOUNTING POLICIES

The following is the critical judgment, 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 that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties above cost.

KEY SOURCES OF ESTIMATION UNCERTAINTIES

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties 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.

Fair value of investment properties

As at 31 December 2016, investment properties were carried in the consolidated statement of financial position at aggregate fair value of HK\$573,990,000 (2015: HK\$523,450,000). 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 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 2016, the carrying amount of the properties held for sale was approximately HK\$691,529,000 (2015: HK\$528,269,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTIES (Continued)

Estimated impairment of loan receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of loan receivables is HK\$11,590,000 (2015: Nil).

5. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue from operations by major products and services:

	2016 HK\$'000	2015 HK\$'000
Property development — sales of properties	31,851	73,513
Property investment — rental income from leasing of investment properties	8,837	5,159
	40,688	78,672

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Segment revenue		Segment result	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Property development	31,851	73,513	14,387	29,445
Property investment	8,837	5,159	37,313	17,239
	40,688	78,672	51,700	46,684
Unallocated income			1,611	1,129
Unallocated expenses			(11,927)	(4,819)
Listing expenses			(16,905)	(864)
Profit before tax			24,479	42,130

Segment profit represents the profit or loss earned by each segment without allocation of listing expenses, some other income and some administration expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

SEGMENT ASSETS AND LIABILITIES

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

	2016 HK\$'000	2015 HK\$'000
Segment assets		
Property development	765,903	609,181
Property investment	582,617	527,465
Total segment assets	1,348,520	1,136,646
Unallocated assets	17,383	8,922
Consolidated total assets	1,365,903	1,145,568
Segment liabilities		
Property development	688,560	511,190
Property investment	223,877	480,648
Total segment liabilities	912,437	991,838
Unallocated liabilities	3,338	7,275
Consolidated total liabilities	915,775	999,113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION (Continued)

OTHER SEGMENT INFORMATION

For the year ended 31 December 2016

	Property development HK\$'000	Property investment HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or segment assets:					
Addition to non-current assets	—	10,995	10,995	60	11,055
Depreciation	61	—	61	34	95
Gain arising on change in fair value of investment properties	—	39,545	39,545	—	39,545
Interest expense	1,915	5,618	7,533	—	7,533
Loss on disposal of plant and equipment	213	—	213	—	213
Amounts regularly provided to the CODM but not included in the measure of segment profit:					
Interest income earned on bank balances	46	—	46	528	574
Interest income from loan receivables	—	—	—	49	49
Income tax expense	898	1,785	2,683	57	2,740

For the year ended 31 December 2015

	Property development HK\$'000	Property investment HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or segment assets:					
Addition to non-current assets	—	472,448	472,448	136	472,584
Depreciation	147	—	147	3	150
Gain arising on change in fair value of investment properties	—	16,402	16,402	—	16,402
Interest expense	1,566	2,440	4,006	—	4,006
Amounts regularly provided to the CODM but not included in the measure of segment profit:					
Interest income earned on bank balances	638	—	638	—	638
Income tax expense	4,518	510	5,028	—	5,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION (Continued)

INFORMATION ABOUT THE ADDITION TO NON-CURRENT ASSETS

The addition to non-current assets in property investment segment represented acquisition of investment properties or additional costs incurred for investment properties for the years ended 31 December 2015 and 2016.

GEOGRAPHICAL INFORMATION

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets are all located in Hong Kong by location of assets.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A	4,800	N/A
Customer B	N/A	40,565

The revenues from above customers are solely attributed to the property development segment. No other revenue from transaction with a single external customer amounted to 10% or more of the Group's revenue during both years.

6. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Interest income earned on bank balances	574	638
Interest income from loan receivables	49	—
Forfeiture of deposits from property purchasers	152	80
Temporary rental income from properties held for sale	1,899	3,932
Properties management fees	923	1,127
Others	112	186
	3,709	5,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on:		
Bank borrowings	17,877	9,993
Loans from related parties	1,712	2,808
Total borrowing costs	19,589	12,801
Less: amount capitalised in cost of qualifying assets	(12,056)	(8,795)
	7,533	4,006

8. PROFIT BEFORE TAX

	2016 HK\$'000	2015 HK\$'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments (<i>note 9</i>)	2,499	1,975
Other staff costs, excluding directors' emoluments:		
Salaries and other allowances	3,674	2,165
Retirement benefit scheme contributions	114	72
Total staff costs	6,287	4,212
Less: capitalised in properties held for sale and investment properties	(2,118)	(2,150)
	4,169	2,062
Auditors' remuneration	815	708
Cost of inventories recognised as an expense	11,352	41,513
Depreciation of plant and equipment	95	150
Property agency commission (included in selling expenses)	397	934
Legal and professional fees	4,812	1,354
Loss on disposal of plant and equipment	213	—
Gross rental income from investment properties	(8,837)	(5,159)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	2,343	1,196
	(6,494)	(3,963)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. 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:

	2016 HK\$'000	2015 HK\$'000
Fees	188	—
Salaries and other allowances	1,968	1,927
Discretionary bonus	284	—
Retirement benefit scheme contributions	59	48
	2,499	1,975

Directors' and executives' emoluments for the year, disclosed pursuant to applicable Listing Rules and CO, is as follow:

	2016					2015				
	Fees HK\$'000	Salaries and other allowance HK\$'000	Discretionary bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000	Salaries and other allowance HK\$'000	Discretionary bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000	
A) Executive directors:										
Mr. Chan Man Fai Joe (chief executive) (note a)	—	120	10	6	136	600	—	6	606	
Mr. Lam Kin Kok (note a)	—	720	180	18	918	720	—	18	738	
Mr. Liu Hon Wai (note a)	—	336	28	17	381	247	—	6	253	
Ms. Cheung Wai Shuen (note a)	—	792	66	18	876	360	—	18	378	
	—	1,968	284	59	2,311	1,927	—	48	1,975	
B) Non-executive directors:										
Mr. Pong Kam Keung (note b)	47	—	—	—	47	—	—	—	—	
Mr. Yim Kwok Man (note b)	—	—	—	—	—	—	—	—	—	
	47	—	—	—	47	—	—	—	—	
C) Independent non-executive directors:										
Mr. Shiu Siu Tao (note c)	47	—	—	—	47	—	—	—	—	
Mr. Lee Chung Ming Eric (note c)	47	—	—	—	47	—	—	—	—	
Ms. Chan Wah Man Carman (note c)	47	—	—	—	47	—	—	—	—	
	141	—	—	—	141	—	—	—	—	
Total	188	1,968	284	59	2,499	1,927	—	48	1,975	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

DIRECTORS (Continued)

Notes:

- The directors were appointed on 4 March 2016. On 14 March 2016, Mr. Chan Man Fai Joe was re-designed as the chairman, chief executive and executive director while the other directors were re-designed as executive directors.
- The directors were appointed on 4 March 2016 and re-designed as non-executive directors on 14 March 2016.
- The directors were appointed on 27 June 2016.

During the year ended 31 December 2015, the Group paid HK\$480,000 to a related company for the quarter provided to Mr. Chan Man Fai Joe (note 34) and recognised agency commission of approximately HK\$108,000 to Mr. Liu Hon Wai. These amounts have been included in salaries and other allowances.

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

Neither the chief executive nor any of the directors of the Company waived or agreed to waive any emoluments in the year ended 31 December 2016 (2015: nil).

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.

EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2015: three) are directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2015: two) individuals for the year ended 31 December 2016 are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other allowances	1,779	1,320
Discretionary bonus	282	110
Retirement benefit scheme contributions	50	36
	2,111	1,466

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:

	2016 No. of employees	2015 No. of employees
Nil — HK\$1,000,000	3	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. DIVIDENDS

No interim dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2016 (2015: Nil).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of HK22 cents (2015: Nil) per ordinary share, in an aggregate amount of HK\$49,280,000 (2015: Nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

11. INCOME TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000
Income tax		
Current year	3,150	5,551
Over-provision in prior years	(411)	—
	2,739	5,551
Deferred taxation (<i>note 15</i>)	1	(523)
	2,740	5,028

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for both years.

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

	2016 HK\$'000	2015 HK\$'000
Profit before tax	24,479	42,130
Tax charge at Hong Kong Profits Tax rate of 16.5%	4,039	6,951
Tax effect of expenses not deductible for tax purpose	3,138	857
Tax effect of income not taxable for tax purpose	(6,951)	(3,016)
Tax effect of tax losses not recognised	2,798	719
Utilisation of tax losses previously not recognised	(33)	(494)
Over-provision in prior years	(411)	—
Others	160	11
Tax charge for the year	2,740	5,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. 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:

	2016 HK\$'000	2015 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted (2015: basic) earnings per share	21,739	37,102
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	194,317	168,000
Effect of dilutive potential ordinary share: — Over-allotment option	223	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	194,540	N/A

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average of 194,316,940 (2015: 168,000,000) ordinary shares of the Company, taking into account the shares issued and outstanding during the year and on the assumption that the Reorganisation and issue of new shares by capitalisation have been effective on 1 January 2015.

No diluted earnings per share is presented for the year ended 31 December 2015 as the Group had no potential ordinary shares in issue during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Office equipment and furniture HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
As at 1 January 2015	—	—	737	737
Additions	95	41	—	136
As at 31 December 2015	95	41	737	873
Additions	4	56	—	60
Disposals	—	—	(737)	(737)
As at 31 December 2016	99	97	—	196
DEPRECIATION				
As at 1 January 2015	—	—	86	86
Provided for the year	2	1	147	150
As at 31 December 2015	2	1	233	236
Provided for the year	20	14	61	95
Eliminated on disposals	—	—	(294)	(294)
As at 31 December 2016	22	15	—	37
CARRYING VALUE				
As at 31 December 2016	77	82	—	159
As at 31 December 2015	93	40	504	637

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

Leasehold improvements	Over the lease term
Office equipment and furniture	10%–50%
Motor vehicles	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. INVESTMENT PROPERTIES

	Investment properties under construction (at fair value) HK\$'000	Completed investment properties (at fair value) HK\$'000	Investment properties pending revitalisation (at fair value) HK\$'000	Total HK\$'000
FAIR VALUE				
At 1 January 2015	13,090	21,510	—	34,600
Additions	1,494	—	470,954	472,448
Increase in fair value	7,186	7,170	2,046	16,402
At 31 December 2015	21,770	28,680	473,000	523,450
Additions	3,067	5,881	2,047	10,995
Increase in fair value	583	9	38,953	39,545
At 31 December 2016	25,420	34,570	514,000	573,990

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

The fair value of the Group's investment properties as at 31 December 2016 and 2015 has been arrived at on the basis of valuations carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited which is a firm of independent qualified valuers not connected with the Group, and it has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

In determining the fair value of the relevant properties, the Board of Directors of the Company has set up a valuation team, which is headed up by an executive director of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. The Group engages independent qualified valuers to perform the valuations. The valuation team works closely with the independent qualified valuers to establish the appropriate valuation techniques and inputs to the model. The valuation team's findings are reported to the Board of Directors of the Company every half year to explain the cause of fluctuations in the fair value of the investment properties.

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

As at 31 December 2016 and 2015, the fair values of carpark spaces in a completed investment property were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions while the fair value of investment properties under construction was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions, taking into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date, the remainder of the cost and fees expected to be incurred for completing the development and developer's profit margin.

As at 31 December 2015, the fair value of investment properties pending revitalisation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition. In November 2016, the Group received a special wavier offer from Lands Department, which has outlined the detailed terms and conditions for revitalisation of this property. The Group further submitted a letter of acceptance to confirm this offer. Despite the formal documents of the special wavier is still not received by the Company, the directors of the Company are of the opinion that the application revitalisation will be approved by the government authority. The valuers have taken into account of this update and changed the valuation technique from direct comparison approach in prior year to residual approach in current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. INVESTMENT PROPERTIES (Continued)

As at 31 December 2016, the fair value of investment properties pending revitalisation was arrived at based on the residual approach, where the monthly market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties, taking into account the estimated total renovation costs to complete, developer's profit margin, borrowing costs, marketing expenditures and professional fees. The monthly market rentals are assessed by reference to the rentals to be achieved in the lettable units of the properties after the completion of revitalisation as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar properties in Hong Kong and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

As at 31 December 2016, the fair value of a commercial unit acquired during the current year was determined based on the income approach, where the market rental of the property is assessed and discounted at the market yield expected by investors for this type of properties. The market rental is assessed by reference to the rentals achieved in the property as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

	Level 3 HK\$'000	Fair value as at 31 December 2016 HK\$'000
Industrial units located in Hong Kong	514,000	514,000
Carpark spaces located in Hong Kong	54,100	54,100
A commercial unit located in Hong Kong	5,890	5,890
	573,990	573,990

	Level 3 HK\$'000	Fair value as at 31 December 2015 HK\$'000
Industrial units located in Hong Kong	473,000	473,000
Carpark spaces located in Hong Kong	50,450	50,450
	523,450	523,450

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For the year ended 31 December 2016

14. INVESTMENT PROPERTIES (Continued)

The following tables give information about how the fair values of these investment properties as at 31 December 2016 and 2015 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value HK\$'000	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Sensitivity
As at 31 December 2016					
Investment properties under construction — carpark spaces	25,420	Level 3	Residual approach	Unit sale rate from HK\$1,200,000 to HK\$2,160,000	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
				Expected developer's profit margin at 30%	A slight increase in the expected profit would result in a significant decrease in fair value, and vice versa
				Estimated total construction cost to complete amounted to approximately HK\$370,000	A significant increase in the cost would result in a significant decrease in fair value, and vice versa
Investment properties pending revitalisation — Industrial building	514,000	Level 3	Residual approach	Monthly market rent of HK\$9,044 per square feet	A significant increase in the monthly market rent would result in a significant increase in fair value, and vice versa
				Expected developer's profit margin at 15%	A slight increase in the expected profit would result in a significant decrease in fair value, and vice versa
				Estimated total renovation cost to complete amounted to approximately HK\$141,700,000	A significant increase in the cost would result in a significant decrease in fair value, and vice versa
Completed investment properties — carpark spaces	28,680	Level 3	Direct comparison approach	Unit sale rate from HK\$1,200,000 to HK\$2,160,000	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Completed investment properties — a commercial unit	5,890	Level 3	Income approach	Monthly market rent of HK\$28 per square feet	A significant increase in the monthly market rent would result in a significant increase in fair value, and vice versa
				Capitalisation rate at 3.2%	A slight increase in the capitalisation rate would result in significant decrease in fair value and vice versa
	573,990				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. INVESTMENT PROPERTIES (Continued)

Investment properties held by the Group	Fair value HK\$'000	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Sensitivity
As at 31 December 2015					
Investment properties under construction – carpark spaces	21,770	Level 3	Residual approach	Unit sale rate from HK\$1,200,000 to HK\$2,160,000 Expected developer's profit margin at 30% Estimated total construction cost to complete amounted to approximately HK\$2,857,000	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa A slight increase in the expected profit would result in a significant decrease in fair value, and vice versa A significant increase in the cost would result in a significant decrease in fair value, and vice versa
Investment properties pending revitalisation - Industrial building	473,000	Level 3	Direct comparison approach	Unit sale rate of HK\$6,800,000	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Completed investment properties – carpark spaces	28,680	Level 3	Direct comparison approach	Unit sale rate from HK\$1,200,000 to HK\$2,160,000	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
	<u>523,450</u>				

There were no transfers into or out of Level 3 during the year ended 31 December 2016.

As at 31 December 2015, completed investment properties with fair value of approximately HK\$28,680,000 have been pledged to a bank to secure a mortgage loan for a related company which is controlled by a director of the Company. The pledge has been released on 13 July 2016.

The Group's investment properties under construction and pending revitalisation have been pledged to secure bank borrowings granted to the Group. Details are set out in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	1,051	523
Deferred tax liabilities	(529)	—
	522	523

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

	Accelerated tax depreciation HK\$'000	Tax loss HK\$'000	Total HK\$'000
As at 1 January 2015	—	—	—
Credit to profit or loss	—	523	523
As at 31 December 2015	—	523	523
(Debit) credit to profit or loss	(529)	528	(1)
As at 31 December 2016	(529)	1,051	522

The Group has unutilised tax losses of approximately HK\$29,266,000 (2015: HK\$9,309,000) as at 31 December 2016 available for offset against future profits and such tax losses have no expiry date. Deferred tax asset has been recognised in respect of approximately HK\$6,369,000 (2015: HK\$3,168,000) of such losses as at 31 December 2016. No deferred tax asset has been recognised for the remaining tax losses of approximately HK\$22,897,000 (2015: HK\$6,141,000) as at 31 December 2016 due to the unpredictability of future profit streams in the respective entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. LOAN RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Variable-rate loan receivables (<i>Note</i>)	11,590	—
Analysis as:		
— Non-current portion	11,449	—
— Current portion (<i>Note 18</i>)	141	—
Total	11,590	—

Note:

As at 31 December 2016, the balance included:

- i) loan receivables amounting to HK\$790,000, which are secured by the property units of a borrower, interest bearing at Hong Kong Prime Rate plus 2% per annum. The principal amounts started to be repaid by installments in November 2016 in accordance with the repayment schedules.
- ii) loan receivables amounting to HK\$10,800,000, which are secured by the property units of the borrowers and interest bearing at Hong Kong Prime Rate minus 1.75% per annum. The principal amounts will be fully repaid at the maturity dates respectively.

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

As at 31 December 2016, 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:

	2016 HK\$'000	2015 HK\$'000
Variable-rate loan receivables:		
Within one year	141	—
In more than one year but not more than two years	151	—
In more than two years but not more than five years	11,298	—
	11,590	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. LOAN RECEIVABLES (Continued)

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

	2016	2015
Effective interest rate:		
– Variable-rate loan receivables	3.25% to 7%	—

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

17. PROPERTIES HELD FOR SALE

The properties under development are situated in Hong Kong and held under medium-term lease.

	2016 HK\$'000	2015 HK\$'000
The Group's carrying amounts of properties held for sale, stated at cost, comprise:		
– Properties under development	682,445	508,422
– Completed properties	9,084	19,847
	691,529	528,269
Properties to be realised after one year	200,583	403,252

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 2015, completed properties held for sale with aggregated amount of HK\$2,060,000 have been pledged to a bank to secure a mortgage loan for a related company which is controlled by a director. The pledge has been released on 13 July 2016.

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.

Details of properties held for sale pledged to secure bank borrowings granted to the Group are set out in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables for rental income	32	532
Loan receivables (<i>Note 16</i>)	141	—
Deposits and other receivables	4,850	1,906
Prepayments		
— Prepaid property agent commission	15,546	15,511
— Prepaid listing fees	—	4,305
— Other prepayments	424	1,023
	20,993	23,277

No credit term is allowed for trade receivables.

The Group's trade receivables based on invoice dates at the end of 31 December 2016 and 2015 all fell within the aging of 1–30 days.

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

19. DEPOSITS PAID

On 26 September 2016, the Group entered into a preliminary sale and purchase agreement with two vendors that the Group conditionally agreed to acquire the equity interest and shareholders' loan of a target company for a total cash consideration of HK\$339,980,000 (the "Acquisition"). The target company is a limited liability company established in the British Virgin Islands and holds the entire issued capital of a limited liability company incorporated in Hong Kong which owns an industrial property located at Wang Yip Street West, Yuen Long, Hong Kong. The directors of the Company intended to acquire the property for redevelopment and selling as inventories.

As at 31 December 2016, the Group has paid deposits totalling of HK\$33,998,000 to independent solicitors for the Acquisition. The deposits are interest bearing at 0.001% per annum. The deposits would be returned to the Group should the precedent conditions are not fulfilled eventually and the transaction were not completed. As at the date of these consolidated financial statements were authorised for issue, the precedent conditions for the completion of the transaction have not been fulfilled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. AMOUNTS DUE FROM RELATED COMPANIES

	Balance at 31 December		Maximum amount outstanding during years ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Amounts due from related companies				
Crystal Cay Assets Limited (<i>note a</i>)	—	2	2	—
GREIM (<i>note b</i>)	—	1,817	1,817	8,425
	—	1,819		

The amounts as at 31 December 2015 were non-trade related, unsecured, interest free and fully settled during the year ended 31 December 2016.

Notes:

- (a) A director of the Company has significant influence over the related company.
- (b) The Company is controlled by the Controlling Shareholders.

21. BANK BALANCES AND CASH/STAKEHOLDER'S ACCOUNTS

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

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:

	2016	2015
Range of interest rate per annum:		
Bank balances	0.001%–0.01%	0.001%–0.01%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Construction payables	7,000	—
Retention payables (<i>Note</i>)	11,751	10,618
Other payables, deposits received and accruals		
— Receipts in advance from properties pre-sold	142,725	71,360
— Deposits received	1,291	4,073
— Accrued construction costs	5,795	30,191
— Others	2,697	1,950
	171,259	118,192

No credit term is allowed for construction payables.

The Group's construction payables based on invoice dates at the end of 31 December 2016 all fell within the aging of 1–30 days.

Note: As at 31 December 2016, retention payables amounting to HK\$7,846,000 (2015:HK\$5,313,000) is aged within one year while the remaining amount of HK\$3,905,000 (2015: HK\$5,305,000) is aged one to two years. All retention payables as at 31 December 2016 and 2015 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

23. AMOUNTS DUE TO RELATED COMPANIES

The amounts as at 31 December 2015 were unsecured, interest-free and fully settled during the year ended 31 December 2016.

24. AMOUNTS DUE TO DIRECTORS

The amounts due to directors as at 31 December 2015 were unsecured and interest-free. During the year ended 31 December 2016, the amounts due to directors of HK\$190,000,000 were waived by the directors and the remaining balances were fully settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

25. BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Bank borrowings (<i>Note a</i>)	741,663	484,861
Loans from related companies (<i>Note b</i>)	—	21,530
	741,663	506,391
Secured	741,663	484,861
Unsecured	—	21,530
	741,663	506,391
Loans from related companies are repayable as follows:		
— In more than one year but not more than two years	—	21,530
Scheduled repayment terms of bank borrowings contain a repayment on demand clause (shown under current liabilities):		
— Within one year	223,880	69,200
— In more than one year but not more than two years	—	198,941
— In more than two years but not more than five years	517,783	216,720
	741,663	484,861
Less: On demand or amount due within one year shown under current liabilities	741,663 (741,663)	506,391 (484,861)
Amount shown under non-current liabilities	—	21,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

25. BORROWINGS (Continued)

Notes:

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

	2016 HK\$'000	2015 HK\$'000
Variable-rate bank borrowings:		
Within one year	223,880	69,200
In more than one year but not more than two years	—	198,941
In more than two years but not more than five years	517,783	216,720
	741,663	484,861

Bank borrowings are pledged by the following properties of the Group:

	2016 HK\$'000	2015 HK\$'000
Properties held for sale		
— Under development for sales, at cost	682,445	508,422
Investment properties		
— Under construction, at fair value	25,420	21,770
— Pending revitalisation, at fair value	514,000	473,000
	539,420	494,770

The banking facilities at 31 December 2015 were supported by corporate guarantee of a related company and personal guarantee by certain directors of the Company. All of these guarantees have been released on 13 July 2016.

- b. The loans from related companies as at 31 December 2015 were unsecured, interest bearing at 15% per annum and repayable on 30 June 2017. During the year ended 31 December 2016, all loans from related companies have been repaid on 13 July 2016 ahead the original repayment schedule.

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

	2016	2015
Effective interest rate:		
— Fixed-rate borrowings	N/A	15%
— Variable-rate borrowings	2.4%–4.0%	2.1%–3.6%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

26. SHARE CAPITAL

The share capital of the Group at 31 December 2015 represented the aggregate issued and paid up share capital of the companies comprising the Group which were under common control of Mr. Chan Man Fai Joe and Mr. Lam Kin Kok.

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

	Notes	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each			
Authorised:			
At 4 March 2016 (date of incorporation)	(a)	38,000,000	380,000
Increased in authorised share capital, ordinary shares of HK\$0.01 each	(d)	962,000,000	9,620,000
At 31 December 2016		1,000,000,000	10,000,000
Issued and fully paid:			
At 4 March 2016 (date of incorporation)	(b)	100	1
Issue of ordinary shares pursuant to the Reorganisation	(c)	900	9
Issue of new shares	(e)	56,000,000	560,000
Issue of new shares by capitalisation	(f)	167,999,000	1,679,990
At 31 December 2016		224,000,000	2,240,000

Notes:

- (a) On 4 March 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (b) On 4 March 2016, 100 shares were allotted and issued as fully paid, of which 1 share was issued to initial subscriber, 89 shares to Star Properties Holdings (BVI) Limited, a company wholly-owned by Mr. Chan Man Fai Joe and 10 shares to Eagle Trend (BVI) Limited, a company wholly owned by Mr. Lam Kin Kok, respectively. On the same day, the 1 share held by the initial subscriber was subsequently transferred to Star Properties Holdings (BVI) Limited.
- (c) On 22 March 2016, 900 shares were allotted and issued as fully paid, of which 828 shares were issued to Star Properties Holdings (BVI) Limited and 72 shares were issued to Eagle Trend (BVI) Limited.
- (d) Pursuant to the extraordinary general meeting of our Shareholders held on 27 June 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of a further 962,000,000 shares of HK\$0.01 each.
- (e) On 13 July 2016, the Company completed the global offering and issued 56,000,000 new ordinary shares in total with the nominal value of HK\$0.01 per share. The aggregate net proceeds from the global offering were calculated at the offer price of HK\$1.8 per share after deducting the underwriting fee and the listing expenses amounting to HK\$8,864,000 in connection with the global offering.
- (f) Pursuant to the written resolution passed by the shareholders of the Company on 27 June 2016 conditional upon the crediting of the Company's share premium account as a result of the issue of 56,000,000 ordinary shares in connection with the initial listing of the shares of the Company by way of global offering, the directors of the Company are authorised to capitalise an amount of HK\$1,679,990 for 167,999,000 shares standing to the credit of the share premium account of the Company. The capitalisation has been completed on 13 July 2016. The shares allotted and issued pursuant to the resolutions shall rank *pari passu* in all respects with the existing issued shares.

27. 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 (“Participants”) with the opportunity to acquire proprietary interests in the Company and to motivate Participants to optimise their performance and efficiency for the benefit of the Group and maintain ongoing business relationship with the Participants whose contributions are, will or expected to be beneficial to the Group.

Pursuant to the Share Option Scheme, the directors of the Company may invite 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 our Company from time to time or (ii) 10% of the issued share capital of the Company as at the 13 July 2016 (without taking into account the shares which may be issued and allotted pursuant to the exercise of the over-allotment option and the options which may be or have been granted under the Share Option Scheme) unless shareholders’ approval has been obtained. No options may be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.

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

No share options have been granted by the Group during the year and the share options granted after year end has been disclosed in note 39.

28. ACQUISITION OF A SUBSIDIARY

On 10 November 2016, the Group acquired 100% equity interest of Star Finance (H.K.) Limited (“Star Finance”) from a related company, Galaxy Asset Management Holdings (BVI) Limited (“GAMHL”), for a cash consideration of approximately HK\$7,000. GAMHL is wholly-owned by Mr. Chan Man Fai Joe. In addition, the Group also paid a consideration of approximately HK\$1,247,000 for an assignment of debt. Star Finance was principally engaged in provision of finance business. The acquisition will allow the Group to diversify the Group’s business portfolio and also provide a new source of income for the Group. No material acquisition related costs were incurred in the acquisition.

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28. ACQUISITION OF A SUBSIDIARY (Continued)

ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	Total HK\$'000
Loan receivables	1,219
Other receivables	16
Accruals	(9)
Amount due to GAMHL	(1,247)
	(21)

The loan receivables and other receivables acquired in the transaction carried fair values of approximately HK\$1,219,000 and HK\$16,000 respectively. The gross contractual amounts of those receivables acquired amounted to HK\$1,219,000 and HK\$16,000 respectively at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date.

GOODWILL ARISING FROM ACQUISITION

	Total HK\$'000
Consideration transferred	7
Add: Fair value of identifiable net liabilities acquired	21
Goodwill (Note)	28

Note: Full impairment is made in respect of the goodwill of HK\$28,000 immediately upon the acquisition.

CASH OUTFLOW ON ACQUISITION OF A SUBSIDIARY

	Year ended 31 December 2016 HK\$'000
Total consideration paid in cash	7

Star Finance contributed interest income from loan receivables of HK\$49,000 and resulted a net loss of HK\$76,000 for the period from the date of acquisition to 31 December 2016.

If the acquisition has been completed on 1 January 2016, the Group's total revenue would be maintained at HK\$40,688,000 and profit for the year ended 31 December 2016 would have been HK\$21,465,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

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For the year ended 31 December 2016

29. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

	2016 HK\$'000	2015 HK\$'000
Minimum lease payments paid under operating leases during the year		
— Office units	1,747	1,251
— Motor vehicles	120	—
	1,867	1,251

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

	2016 HK\$'000	2015 HK\$'000
Within one year		
— Office units from related companies	55	2,200
— An office unit from a third party	1,106	—
— A motor vehicle from a related company	120	—
	1,281	2,200
In the second to fifth year inclusive		
— An office unit from a third party	1,012	—
— A motor vehicle from a related company	100	—
	1,112	—
Total	2,393	2,200

The leases are generally negotiated for a lease term of two year of fixed rentals (2015: one year).

Property rental income earned from investment properties and properties held for sale were aggregated to HK\$10,736,000 (2015: HK\$9,091,000). The properties are expected to generate rental yields of 1% (2015: 1%) on an ongoing basis. Properties held have committed tenants for the next one to three years.

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

	2016 HK\$'000	2015 HK\$'000
Within one year	2,987	11,472
In the second to fifth year inclusive	3,320	15,118
	6,307	26,590

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30. CAPITAL COMMITMENTS

	2016 HK\$'000	2015 HK\$'000
Capital expenditure in respect of the properties development project contracted for but not provided in the consolidated financial statements	14,003	158,299
Equity interest of a subsidiary (Note)	305,982	—
	319,985	158,299

Note: The amount represents the commitment for cash consideration for the acquisition of a subsidiary. Details are set out in note 19.

31. 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 throughout both years.

The capital structure of the Group consists of net debts (which includes amounts due to related companies, amounts due to directors and borrowings, net of bank balances) 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.

32. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables (including bank balances and cash)	49,206	71,850
Financial liabilities		
Amortised cost	760,414	890,420

32. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loan receivables, trade receivables from rental income, deposits and other receivables, amounts due from related companies, stakeholder's accounts, bank balances and cash, construction payables, retention payables, amounts due to related companies, amounts due to directors and borrowings. 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 related companies as at 31 December 2015 (see note 25 for details of these borrowings). Loan receivables, bank balances and bank borrowings at floating rates exposes the Group to cash flow interest rate risk as at 31 December 2016 and 2015. 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 Hong Kong Interbank Offered Rate and Hong Kong Prime Rate arising from the Group's Hong Kong dollar denominated borrowings.

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. For the year ended 31 December 2016, 50 (2015: 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 2016 would be increased/decreased by approximately HK\$2,251,000 (2015: HK\$1,341,000) 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.
- Post-tax profit for the year ended 31 December 2016 would be decreased/increased by approximately HK\$1,167,000 (2015: HK\$1,084,000). 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 bank balances is immaterial.

Currency risk

The Group's transactions and balances are primarily denominated in Hong Kong Dollar, the functional currency of the respective group entities, as such the Group has no significant exposure to currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

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 and the amount of contingent liability in relation to financial guarantee provided by the Group as disclosed in note 35.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on loan receivables is limited because all loan receivables are pledged with the property units of the borrowers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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;
- Sales deposits received from properties pre-sold which deposited with several law firms; and

Other than above, the Group does not have any other significant concentration of credit risk.

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 directors of the Company have given careful consideration to the going concern of the Group in light of the fact that the Group had net current liabilities of approximately HK\$135,992,000 as at 31 December 2016. The Group's ability to continue as a going concern is dependent on the ongoing availability of funds to the Group, including 1) the construction project of The Star will be completed and delivered to the buyers during the year ending 31 December 2017 providing additional funds to the Group; 2) part of the capital commitment for acquisition of equity interest of a subsidiary will be financed by a new banking facility through pledge of assets of that subsidiary; and 3) as of 31 December 2016, the Group has unused bank facility amounting to HK\$367,217,000 to support its daily operation. Taken into account these considerations, the directors of the Company are of the opinion that the Group will have sufficient funds to meet in full its financial obligations as and when they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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, bank loans with a repayable on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2016							
Construction payables	—	7,000	—	—	—	7,000	7,000
Retention payables	—	11,751	—	—	—	11,751	11,751
Bank borrowings							
— variable rate	3.33	741,663	—	—	—	741,663	741,663
		760,414	—	—	—	760,414	760,414

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2015							
Retention payables	—	10,618	—	—	—	10,618	10,618
Amounts due to related companies	—	7,414	—	—	—	7,414	7,414
Amounts due to directors	—	365,997	—	—	—	365,997	365,997
Bank borrowings							
— variable rate	3.02	484,861	—	—	—	484,861	484,861
Loans from related companies	15	—	—	24,760	—	24,760	21,530
Financial guarantee contract (<i>note</i>)	—	100,000	—	—	—	100,000	—
		968,890	—	24,760	—	993,650	890,420

Note: The amount included above for financial guarantee contract as at 31 December 2015 was the maximum amount the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterpart to the guarantee. The financial guarantee has been release on 13 July 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the “repayable on demand or less than 3 months” time band in the above maturity analysis. As at 31 December 2016 and 2015, the aggregate carrying amounts of these bank borrowings amounted to HK\$741,663,000 and HK\$484,861,000 respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid within 1 to 4 years after the end of the respective reporting periods in accordance with the scheduled repayment dates set out in the loan agreements. Aggregate principal and interest cash outflows are set out below:

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1–2 years HK\$'000	2–5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2016							
Bank borrowings							
— variable rates	3.33	6,083	237,778	16,321	518,224	778,406	741,663
At 31 December 2015							
Bank borrowings							
— variable rates	3.02	3,671	78,976	205,119	222,095	509,861	484,861

C. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

33. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (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\$173,000 (2015: HK\$120,000) 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 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

34. RELATED PARTY DISCLOSURES

(I) TRANSACTIONS

The Group had the following transactions with related parties during the year:

Name of related parties	Nature of transaction	2016 HK\$'000	2015 HK\$'000
Crystal Harbour Development Limited	Finance cost (<i>Note a</i>)	856	1,404
Galaxy Asset Management (HK) Limited ("GAMHK")	Service fee (<i>Note c</i>) Rental expenses (<i>Note b</i>)	— 550	270 642
South Project Investment Limited	Finance cost (<i>Note a</i>)	856	1,404
Sunny Generation Limited ("Sunny Generation")	Rental expenses (<i>Note b</i>)	1,031	150
Vogue City Limited ("Vogue City")	Motor vehicle expenses (<i>Note e</i>)	100	—
Vogue Town Limited ("Vogue Town")	Rental of director's quarters (<i>Note d</i>)	—	480
Metropolitan Fine Wine Limited ("Metropolitan Wine")	Entertainment expenses (<i>Note f</i>)	107	—
Metropolitan Life Style (H. K.) Limited ("Metropolitan Life Style")	Advertising expenses (<i>Note g</i>) Motor vehicle expenses (<i>Note e</i>)	163 20	— —
M&M Kitchen Limited ("M&M Kitchen")	Entertainment expenses (<i>Note f</i>)	139	—

Notes:

- (a) The loans from related companies carried interest at 15% per annum.
- (b) Rental expenses charged by GAMHK and Sunny Generation was based on office areas occupied by the Group and at a rent agreed by both parties.
- (c) Service fee represented administrative expenses recharged by GAMHK at cost.
- (d) The rental expenses represented the leasing of a director's quarters for Mr. Chan Man Fai Joe from Vogue Town at a price agreed by both parties.
- (e) The expenses represented the leasing of motor vehicles from Vogue City and Metropolitan Life Style at a price agreed by both parties.
- (f) Entertainment expenses represented providing of wines and catering services from Metropolitan Wine and M&M Kitchen at a price agreed by both parties.
- (g) Advertising expenses represented service fees charged by Metropolitan Life Style at a price agreed by both parties.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

34. RELATED PARTY DISCLOSURES (Continued)

(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 2016 and 2015 are set out in note 9.

(III) PERSONAL AND CORPORATE GUARANTEE

Details of bank borrowings secured by personal guarantee provided by Mr. Chan Man Fai Joe and Mr. Lam Kin Kok and corporate guarantee from GAMHK as at 31 December 2015 are disclosed in note 25. The personal and corporate guarantees have been released on 13 July 2016.

(IV) PROPERTIES HELD FOR SALE AND INVESTMENT PROPERTIES PLEDGED BY A RELATED COMPANY

As at 31 December 2015, completed investment properties with fair value of HK\$28,680,000 (note 14) and completed properties held for sale amounting to HK\$2,060,000 (note 17) had been pledged to a bank to secure a mortgage loan for a related company. The pledges have been released on 13 July 2016.

(V) CORPORATE GUARANTEE TO A RELATED COMPANY

As at 31 December 2015, the Group had provided corporate guarantee of HK\$100,000,000 to secure a banking facility granted to a related company controlled by a director of the Company. The guarantee has been released on 13 July 2016.

(VI) ACQUISITION OF A SUBSIDIARY

On 10 November 2016, the Group acquired 100% equity interest of Star Finance from GAMHL for a cash consideration of approximately HK\$7,000. In addition, the Group also paid a consideration of approximately HK\$1,247,000 for an assignment of debt. GAMHL is wholly-owned by Mr. Chan Man Fai Joe, the chairman of the Board of Directors and an executive director of the Company. Details of this acquisition are disclosed in note 28.

(VII) BALANCES AND OTHER TRANSACTIONS

Details of balances and other transactions with related parties are set out in notes 20, 23, 24, 25, 29 and 36.

35. CONTINGENT LIABILITY

As at 31 December 2015, the Group had provided corporate guarantee of HK\$100,000,000 to secure a banking facility granted to a related company. The fair value of financial guarantee is determined by reference to valuation report of independent qualified valuers. As at 31 December 2015, the Group had not recognised liabilities in respect of the above guarantee issued because the fair value of this guarantee was insignificant. The guarantee as at 31 December 2015 has been released on 13 July 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. MAJOR NON-CASH TRANSACTION

On 13 July 2016, Mr. Chan Man Fai Joe and Mr. Lam Kin Kok, being the directors and controlling shareholders of the Company, waived the balances due to them of HK\$174,420,000 and HK\$15,580,000, respectively. The aggregate amount of HK\$190,000,000 has been capitalised as shareholders' contribution.

On 31 December 2015, Mr. Chan Man Fai Joe, Bright Port Holdings Limited and Spring Moon Investments Limited entered into an intercompany balance transferral agreement to offset the amount due from Mr. Chan Man Fai Joe of HK\$105,661,376 to Bright Port Holdings Limited against the amount due to him in Spring Moon Investments Limited.

37. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Details of the Company's major subsidiaries as at 31 December 2016 and 2015 are disclosed as follows:

Name of subsidiary	Place of incorporation/ operations	Paid up capital	Proportion of ownership interest held		Proportion of voting power held		Principal activities
			by the Company 2016	2015	by the Company 2016	2015	
Bright Port Holdings Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	100%	100%	Property development
Fountain Inc Limited	Hong Kong	Ordinary shares HK\$10,000	100%	100%	100%	100%	Property development and property investment
Spring Moon Investments Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	100%	100%	Property investment
Rainbow Red Holdings Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	100%	100%	Property development
Diamond Vantage Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	100%	100%	Property investment
Star Properties (H.K.) Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	100%	100%	Provision of project management and administrative services
Star Property Management (HK) Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	100%	100%	Investment holding and provision of property management services
Star Finance (H.K.) Limited	Hong Kong	Ordinary shares HK\$1	100%	—	100%	—	Provision of finance

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY (Continued)

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.

At the end of the reporting periods, the Company has other subsidiaries that are not material to the Group. All subsidiaries of the Company operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Number of subsidiaries	
	2016	2015
Property development	4	3
Property investment	3	2
Provision of finance	1	—
Others	2	2
	10	7

None of the subsidiaries had issued any debt securities at the end of the year.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

At 31 December 2016

	2016 HK\$'000
Non-current asset	
Investments in subsidiaries	9,204
Current assets	
Other receivables	822
Amounts due from subsidiaries (<i>note</i>)	275,206
Bank balances and cash	172
	276,200
Current liability	
Other payables	92
Net current assets	276,108
Total assets	285,312
Capital and reserves	
Share capital	2,240
Reserves	283,072
Total equity	285,312

Note: The amounts due from subsidiaries are unsecured, interest-free, repayable on demand and expect to be realised within 12 months from the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

MOVEMENT IN THE COMPANY'S SHARE CAPITAL AND RESERVES

	Share capital HK\$'000	Share premium HK\$'000	Shareholders' contribution HK\$'000	Retained earning HK\$'000	Total HK\$'000
At 4 March 2016 (date of incorporation) *	—	—	—	—	—
Issue of ordinary shares pursuant to the Reorganisation*	—	—	—	—	—
Profit for the period	—	—	—	3,376	3,376
Issue of new shares (Note 26(e))	560	100,240	—	—	100,800
Issue of new shares by capitalisation (Note 26(f))	1,680	(1,680)	—	—	—
Waiver of amounts due to directors	—	—	190,000	—	190,000
Expense incurred in connection with the issue of new shares (Note 26(e))	—	(8,864)	—	—	(8,864)
At 31 December 2016	2,240	89,696	190,000	3,376	285,312

* Less than HK\$1,000.

39. EVENTS AFTER THE REPORTING PERIOD

- a) On 14 January 2017, the Group entered into a provisional sale and purchase agreement to acquire an investment property, which is located at Ngau Tau Kok, Hong Kong, through acquisition of a subsidiary. As at the date of these consolidated financial statements, the acquisition is still underway. The directors of the Company consider that it is not practicable to provide a reasonable estimate of that effect until the acquisition and detailed review have been completed.
- b) On 25 January 2017, the Company granted a total of 12,432,000 options to its directors and certain eligible employees under the share option scheme which was adopted by the Company on 27 June 2016. The exercise price of HK\$2.06 per share was equal to the market price of the shares on 25 January 2017. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 each of the Company. The directors of the Company are in the process of assessing the financial impact of the share options. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.
- c) On 28 February 2017, the directors of the Company propose, subject to the shareholders' approval, a bonus issue of shares on the basis of one bonus share for every one existing share held by the shareholders. Upon the completion of the bonus issue, no material financial impact to the Group is expected.

PARTICULARS OF PROPERTIES

PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2016

Name of Property	Location	Approximate gross floor area upon completion (sq.ft.)	Use	Stage of completion	Expected completion date	Attributable interest of the Group
The Galaxy — <i>four workshops on 6/F, 12/F, 23/F, 25/F</i>	No. 313 Castle Peak Road, Kwai Chung, Tsuen Wan, New Territories, Hong Kong	N/A	Industrial	Completed	N/A	100%
The Star — <i>284 units</i>	No. 18 Yip Shing Street, Kwai Chung, New Territories, Hong Kong	94,967	Industrial	Under Development	2017	100%
CWK Property	Nos. 11–15, Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	154,973	Commercial	Under Development	2019	100%

INVESTMENT PROPERTIES AS AT 31 DECEMBER 2016

Name of Property	Address & Location	Existing Use	Condition/nature	Attributable interest of the Group
The Galaxy — 20 parking spaces	G/F & 1/F of the Galaxy, No. 313 Castle Peak Road, Kwai Chung, Tsuen Wan, New Territories, Hong Kong	Industrial	Currently leased to various Independent Third Parties	100%
The Star — 19 parking spaces	G/F & 1/F of the Star, No. 18 Yip Shing Street, Kwai Chung, New Territories, Hong Kong	Industrial	Under construction	100%
Yue Fung Property	No. 22, Wang Yip Street South, Yuen Long, New Territories, Hong Kong	Industrial	Under development, currently leased to various Independent Third Parties	100%
Yuen Long Trade Centre	Office 3 on 9/F, Yuen Long Trade Centre, 99-109 Castle Peak Road Yuen Long, Yuen Long New Territories	Commercial	Currently leased to Independent Third Parties	100%

DEVELOPMENT PROJECTS AS AT 31 DECEMBER 2016

Name of Property	Location	Approximate gross floor area prior to the completion of development (sq.ft.)	Approximate gross floor area upon completion of development (sq.ft.)	Use	Estimated completion date	Stage of completion	Attributable interest of the Group
The Galaxy	No. 313 Castle Peak Road, Kwai Chung, Tsuen Wan, New Territories, Hong Kong	N/A (Note 1)	152,254	Industrial	N/A	Completed	100%
The Star	No. 18 Yip Shing Street, Kwai Chung, New Territories, Hong Kong	44,564 (Note 2)	94,967	Industrial	2017	Under Construction	100%
Yue Fung Property	No. 22, Wang Yip Street South, Yuen Long, New Territories, Hong Kong	93,100	93,100	Commercial/ Industrial	2018	Under Development	100%
CWK Property	Nos. 11-15, Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	40,979	154,973	Commercial	2019	Under Development	100%

Notes:

- The industrial property acquired for the redevelopment project of The Galaxy was a vacant development site and therefore it did not have a gross floor area.
- This was the gross floor area of the original building which was demolished prior to the construction of The Star.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the published audited financial statements is set out below.

CONSOLIDATED RESULTS

	Year ended 31 December			
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
REVENUE	40,688	78,672	611,811	—
PROFIT BEFORE TAX	24,479	42,130	232,728	16
Income tax credit/(expense)	(2,740)	(5,028)	(36,638)	212
PROFIT FOR THE YEAR	21,739	37,102	196,090	228
Attributable to: Owners of the Company	21,739	37,102	196,090	228

CONSOLIDATED ASSETS AND LIABILITIES

	31 December			
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
TOTAL ASSETS	1,365,903	1,145,568	665,817	494,249
TOTAL LIABILITIES	(915,775)	(999,113)	(557,197)	(490,580)
NET ASSETS	450,128	146,455	108,620	3,669

Note: The results and summary of assets and liabilities for each of the three years ended 31 December 2013, 2014 and 2015 which were extracted from the Prospectus have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout those years.