Star Properties Group (Cayman Islands) Limited

星星地產集團（開曼群島）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1560)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue and profit for the year ended 31 December 2017 were approximately HK$732.4 million (2016: approximately HK$40.7 million) and approximately HK$95.8 million (2016: approximately HK$21.7 million) respectively.

- The basic earnings per share for the year ended 31 December 2017 was approximately HK18.9 cents (2016: approximately HK5.6 cents as restated after bonus issue on 19 May 2017).

- Proposed final dividend in respect of the year ended 31 December 2017 was HK5.6 cents per ordinary share.

The board of directors (the "**Director(s)**") (the "**Board**") of Star Properties Group (Cayman Islands) Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*3*	**732,390**	40,688
Cost of sales and services		**(519,390)**	(13,695)
Gross profit		**213,000**	26,993
Other income	*4*	**15,046**	3,709
Gain on change in fair value of investment properties		**10,569**	39,545
Gain on disposal of a subsidiary	*14(b)*	**1,508**	–
Selling expenses		**(32,329)**	(1,391)
Administrative expenses		**(64,912)**	(19,939)
Listing expenses		**–**	(16,905)
Finance costs	*5*	**(20,621)**	(7,533)
Profit before tax	*6*	**122,261**	24,479
Income tax expense	*8*	**(26,447)**	(2,740)
Profit and total comprehensive income for the year		**95,814**	21,739
			(Restated)
Earnings per share *(in HK cents)*			
Basic	*9*	**18.9**	5.6
Diluted	*9*	**N/A**	5.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current Assets			
Plant and equipment		**898**	159
Investment properties		**36,700**	573,990
Deferred tax assets		**–**	1,051
Loan receivables	*10*	**48,200**	11,449
Available-for-sale investment		**620**	–
		86,418	586,649
Current Assets			
Properties held for sale		**2,245,263**	691,529
Trade and other receivables	*11*	**11,634**	20,993
Deposits paid	*14(a)*	**–**	33,998
Stakeholder's accounts		**46,690**	925
Pledged bank deposits		**10,037**	–
Bank balances and cash		**63,465**	31,809
		2,377,089	779,254
Current Liabilities			
Trade and other payables	*12*	**81,723**	171,259
Tax liabilities		**24,361**	2,324
Borrowings		**1,715,208**	741,663
		1,821,292	915,246
Net Current Assets (Liabilities)		**555,797**	(135,992)
Total Assets Less Current Liabilities		**642,215**	450,657
Non-current Liability			
Deferred tax liabilities		**249**	529
Net Assets		**641,966**	450,128
Capital and Reserves			
Share capital		**6,272**	2,240
Reserves		**635,694**	447,888
Total Equity		**641,966**	450,128

NOTES

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate and ultimate holding company is Star Properties Holdings (BVI) Limited, a company incorporated in the British Virgin Islands ("BVI"), and its ultimate controlling party is Mr. Chan Man Fai Joe, who is the chairman of the Board of Directors and an executive director of the Company. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Unit 1203A, 12/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in property development, property investment, provision of property management services and provision of finance businesses.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. 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 cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following 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.

A reconciliation between the opening and closing balances of these items will be provided in the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and amendments to HKFRSs and interpretations issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and Interpretations 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]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015– 2017 Cycle[2]

[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 2021*

Except as mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and Interpretations will have no material impact on this announcement.

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 investments 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 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 ("FVTOCI"). 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 the 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; and

- 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 *Financial Instruments: Recognition and Measurement*. 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Listed equity securities classified as available-for-sale ("AFS") investments carried at fair value as disclosed in note 17: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. The other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

In addition, the directors of the Company also anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the directors of the Company do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact to the opening retained profits at 1 January 2018.

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

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 anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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. Upon application of 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 by the Group.

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.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$3,023,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$650,000 and refundable rental deposits received of HK$7,096,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. REVENUE AND SEGMENT INFORMATION

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

	2017	2016
	HK$'000	*HK$'000*
Property development – sales of properties	**728,199**	31,851
Property investment – rental income from leasing of investment properties	**2,029**	8,837
Provision of property management services	**1,016**	–
Provision of finance	**1,146**	–
	732,390	40,688

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

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

1. Property development – sales of properties

2. Property investment – rental income from leasing of investment properties

3. Provision of property management services – provision of property management services for the completed properties

4. Provision of finance – provision of financing services to the property buyers

During the year, the CODM reassessed the provision of property management services and provision of finance businesses and considered that they should be presented as separate operating and reportable segments.

As a result of these changes, certain prior year figures have been restated to conform with current year presentation.

Segment revenue and results

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

	Segment revenue		Segment results	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**728,199**	31,851	**138,477**	14,387
Property investment	**2,029**	8,837	**5,014**	37,313
Provision of property management services	**1,016**	–	**603**	–
Provision of finance	**1,146**	–	**939**	–
	732,390	40,688	**145,033**	51,700
Unallocated income			**37**	1,611
Unallocated expenses			**(23,473)**	(11,927)
Gain on disposal of a subsidiary			**1,508**	–
Listing expenses			**–**	(16,905)
Finance costs			**(844)**	–
Profit before tax			**122,261**	24,479

Segment results represent the profit earned by each segment without allocation of listing expenses, gain on disposal of a subsidiary, certain other income, administrative expenses and finance costs. 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:

	2017	2016
	HK$'000	*HK$'000*
Segment assets		
Property development	**2,316,983**	765,903
Property investment	**71,815**	582,617
Provision of property management services	**752**	339
Provision of finance	**56,608**	13,283
Total segment assets	**2,446,158**	1,362,142
Unallocated assets	**17,349**	3,761
Consolidated total assets	**2,463,507**	1,365,903
Segment liabilities		
Property development	**1,602,512**	688,560
Property investment	**305**	223,877
Provision of property management services	**156**	57
Provision of finance	**–**	2
Total segment liabilities	**1,602,973**	912,496
Unallocated liabilities	**218,568**	3,279
Consolidated total liabilities	**1,821,541**	915,775

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

– all assets are allocated to operating segments other than corporate assets; and

– all liabilities are allocated to operating segments other than corporate liabilities.

Other segment information

For the year ended 31 December 2017

	Property development HK$'000	Property investment HK$'000	Provision of property management services HK$'000	Provision of finance HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results or segment assets:							
Addition to non-current assets	–	10,441	–	–	10,441	1,053	11,494
Depreciation	–	–	–	–	–	215	215
Gain on change in fair value of investment properties	–	10,569	–	–	10,569	–	10,569
Interest expense	17,567	2,210	–	–	19,777	844	20,621
Loss on disposal of plant and equipment	–	–	–	–	–	99	99
Amounts regularly provided to the CODM but not included in the measure of segment results:							
Interest income earned on bank balances	253	–	–	–	253	37	290
Income tax expense	26,341	7	99	–	26,447	–	26,447

For the year ended 31 December 2016

	Property development HK$'000	Property investment HK$'000	Provision of property management services HK$'000	Provision of finance HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results or segment assets:							
Addition to non-current assets	–	10,995	–	–	10,995	60	11,055
Depreciation	61	–	–	–	61	34	95
Gain 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 results:							
Interest income earned on bank balances	46	–	–	–	46	528	574
Income tax expense	898	1,785	57	–	2,740	–	2,740

Geographical information

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets (excluding deferred tax assets, loan receivables and AFS investment) are all located in Hong Kong by location of assets.

Information about major customers

Revenue from customer contributing over 10% of the total revenue of the Group is as follows:

	2016
	HK$'000
Customer A *(Note)*	4,800

Note: Customer A is from property development – sales of properties.

For the year ended 31 December 2017, the Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's total revenue.

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income earned on bank balances	**290**	574
Interest income from loan receivables	**–**	49
Forfeiture of deposits from tenants and property purchasers	**451**	152
Temporary rental income from properties held for sale	**14,252**	1,899
Properties management fees	**–**	923
Others	**53**	112
	15,046	3,709

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
Borrowings	**39,646**	17,877
Loans from related parties	**309**	1,712
Total borrowing costs	**39,955**	19,589
Less: amount capitalised in cost of qualifying assets	**(19,334)**	(12,056)
	20,621	7,533

6. PROFIT BEFORE TAX

	2017	2016
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**23,928**	2,499
Other staff costs, excluding directors' emoluments:		
Salaries and other allowances	**8,566**	3,674
Retirement benefit scheme contributions	**134**	114
Total staff costs	**32,628**	6,287
Less: capitalised in properties held for sale and investment properties	**(3,653)**	(2,118)
	28,975	4,169
Auditors' remuneration	**1,010**	815
Cost of inventories recognised as an expense	**518,119**	11,352
Depreciation of plant and equipment	**215**	95
Equity-settled share-based payment	**12,543**	–
Property agency commission (included in selling expenses)	**31,270**	397
Legal and professional fees	**5,427**	4,812
Loss on disposal of plant and equipment	**99**	213
Gross rental income from investment properties	**(2,029)**	(8,837)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	**1,271**	2,343
	(758)	(6,494)

7. DIVIDENDS

During the current year, final dividend of HK22 cents per share in respect of the year ended 31 December 2016, totalling HK$49,280,000 (for the year ended 31 December 2016: nil) was declared and paid on 19 May 2017.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK5.6 cents per ordinary share, in an aggregate amount of HK$35,123,200, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

8. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
– Current year	**25,676**	3,150
– Overprovision in prior years	**–**	(411)
	25,676	2,739
Deferred taxation	**771**	1
	26,447	2,740

Hong Kong Profits Tax is calculated at 16.5% of assessable profit for both years.

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

	2017	2016
	HK$'000	*HK$'000*
Profit before tax	**122,261**	24,479
Tax at Hong Kong Profits Tax Rate of 16.5%	**20,173**	4,039
Tax effect of expenses not deductible for tax purpose	**2,864**	3,138
Tax effect of income not taxable for tax purpose	**(2,932)**	(6,951)
Tax effect of tax losses not recognised	**6,768**	2,798
Utilisation of tax losses previously not recognised	**–**	(33)
Overprovision in prior years	**–**	(411)
Others	**(426)**	160
Income tax expense for the year	**26,447**	2,740

9. 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:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**95,814**	21,739
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**505,933**	388,634
Effect of dilutive potential ordinary shares in respect of outstanding over-allotment option		446
Weighted average number of ordinary shares for the purpose of diluted earnings per share		389,080

Notes:

(1) On 19 May 2017, 224,000,000 shares of HK$0.01 each were issued under bonus issue on the basis of one bonus share for every one existing share. Details of the bonus issue were set out in the announcement of the Company dated 19 May 2017. In determining the weighted average number of ordinary shares in issue for the year ended 31 December 2017, the 224,000,000 shares issued by way of capitalisation from reserves have been regarded as if these shares were in issue since 1 January 2016. Earnings per share for the year ended 31 December 2016 were restated accordingly.

(2) The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price plus unvested fair value of those options was higher than the average market price for shares for the year ended 31 December 2017.

10. LOAN RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Variable-rate loan receivables *(Note)*	**51,554**	11,590
Analysis as:		
– Non-current portion	**48,200**	11,449
– Current portion *(note 11)*	**3,354**	141
Total	**51,554**	11,590

Note:

As at 31 December 2017, the balance included:

(i) loan receivables amounting to HK$363,000 (2016: HK$790,000), which are secured by the property units of a borrower, interest bearing at Hong Kong Prime Rate plus 2% per annum. The principal amounts started to be repaid in November 2016 in accordance with the repayment schedules; and

(ii) loan receivables amounting to HK$51,191,000 (2016: HK$10,800,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong Prime Rate minus 1.75% per annum. The principal amounts will be fully repaid at the maturity dates respectively.

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

As at 31 December 2017 and 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:

	2017	2016
	HK$'000	*HK$'000*
Variable-rate loan receivables:		
Within one year	**3,354**	141
In more than one year but not more than two years	**3,476**	151
In more than two years but not more than five years	**44,724**	11,298
	51,554	11,590

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

	2017	2016
Effective interest rate:		
– Variable-rate loan receivables	**3.25% to 7%**	3.25% to 7%

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables for rental income	**5,200**	32
Loan receivables *(note 10)*	**3,354**	141
Loan interest receivable	**45**	–
Deposits and other receivables	**2,776**	4,850
Prepayments		
– Prepaid property agent commission	**–**	15,546
– Other prepayments	**259**	424
	11,634	20,993

No credit term is allowed for trade receivables.

The following is an ageing analysis of trade receivables presented based on the invoice date.

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**2,787**	32
31 – 60 days	**2,413**	–
	5,200	32

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.

12. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Construction payables *(Note (1))*	**–**	7,000
Retention payables *(Note (2))*	**5,073**	11,751
Other payables, deposits received and accruals		
– Receipts in advance from properties pre-sold	**29,108**	142,725
– Rental deposits received	**7,096**	1,291
– Accrued construction costs	**32,799**	5,795
– Accrued staff costs	**497**	–
– Accrued interest	**1,738**	–
– Accrued agency commission	**147**	–
– Others	**5,265**	2,697
	81,723	171,259

Notes:

(1) No credit term is allowed for construction payables. The Group's construction payables based on invoice dates as at 31 December 2016 all fell within the aging of 1 to 30 days.

(2) As at 31 December 2017, retention payables amounting to HK$4,978,000 (2016: HK$7,846,000) is aged within one year while the remaining amount of HK$95,000 (2016: HK$3,905,000) is aged one to two years. All retention payables as at 31 December 2017 and 2016 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

13. BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Bank borrowings	**1,645,208**	741,663
Loan from a financial institution	**70,000**	–
	1,715,208	741,663
Scheduled payment terms of borrowings contain a repayment on demand clause (shown under current liabilities):		
– Within one year	**1,015,734**	223,880
– In more than one year but not more than two years	**405,474**	–
– In more than two years but not more than five years	**294,000**	517,783
Total	**1,715,208**	741,663

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

	2017	2016
	HK$'000	HK$'000
Variable-rate borrowings:		
Within one year	945,734	223,880
In more than one year but not more than two years	405,474	–
In more than two years but not more than five years	294,000	517,783
	1,645,208	741,663
Fixed-rate borrowings:		
Within one year	70,000	–
	1,715,208	741,663

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

	2017	2016
Effective interest rates:		
– Fixed-rate borrowings	10%	N/A
– Variable-rate borrowings	1.6% – 4.3%	2.4% – 4.0%

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

	2017	2016
	HK$'000	HK$'000
Properties held for sale		
– Completed, at cost	13,539	–
– Under development for sales, at cost	2,229,561	682,445
	2,243,100	682,445
Investment properties		
– Completed, at fair value	26,260	–
– Under construction, at fair value	–	25,420
– Pending revitalisation, at fair value	–	514,000
	26,260	539,420
Pledged bank deposits	10,037	–
Total	2,279,397	1,221,865

In addition, the loan from a financial institution of HK$70,000,000 as at 31 December 2017 is secured by 1) post-dated cheques drawn in favour of the lender or the lender's order for payment of the principal stipulated under the loan agreement entered between the Company and the lender; and 2) personal guarantee provided by Mr. Chan Man Fai Joe, the chairman and an executive director of the Company.

Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain financial ratios of the Group, total equity and the amount of capital expenditure incurred, as are commonly found in lending arrangements with a financial institution. If the Group were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(b). As at 31 December 2017 and 2016, none of the bank covenants relating to drawn down facilities had been breached.

14. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

For the year ended 31 December 2017

a. Acquisition of Canton Group

On 26 September 2016, the Group entered into a sale and purchase agreement with two vendors that the Group agreed to acquire the equity interest and shareholders' loan of Canton Glory Limited, together with its wholly-owned subsidiary, namely Sincere Gold Properties Limited, (collectively referred to as "Canton Group") for a total cash consideration of HK$339,980,000. Canton Group owned an industrial property located at Wang Yip Street West, Yuen Long, Hong Kong. The Group acquired the industrial property through acquisition of the entire equity interest in Canton Glory Limited.

Such industrial property was acquired for redevelopment with a view to sale. As at 31 December 2016, the Group had paid deposits totalling of HK$33,998,000 to independent solicitors for the acquisition. The transaction was completed on 24 February 2017.

Fair values of assets acquired at the date of acquisition were as follows:

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

Cash outflow on acquisition of subsidiaries during the year ended 31 December 2017 was as follows:

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

b. Acquisition and disposal of Moon Colour Group

In January 2017, the Group paid a deposit of HK$35,000,000 to independent solicitors for acquiring the entire issued share capital and the right to all debts owing by Moon Colour Holdings Limited and its subsidiaries (the "Moon Colour Group") for a total consideration of HK$350,000,000. The Moon Colour Group owns a property located in Hong Kong. The directors of the Company intended to acquire the property for redevelopment with a view to sale.

Subsequently in August 2017, the Group entered into sale and purchase agreement to dispose of the Moon Colour Group to a third party investor for a total consideration of HK$360,000,000.

Both acquisition and disposal transactions mentioned above were completed on 21 August 2017. The net cash inflow in this transaction is HK$1,508,000, net of transaction costs of HK$8,492,000. The Group recognised a gain on disposal of subsidiary amounted to HK$1,508,000 in respect of this disposal transaction for the year ended 31 December 2017.

For the year ended 31 December 2016

c. Acquisition of Star Finance

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 allows the Group to diversify the Group's business portfolio and also provides a new source of income for the Group. No material acquisition related costs were incurred in the acquisition.

Fair values of assets acquired at the date of acquisition were as follows:

	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 was as follows:

	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 during the year ended 31 December 2016 was as follows:

	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 had 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.

15. EVENT AFTER THE REPORTING PERIOD

In January 2018, the Group entered into certain provisional sale and purchase agreements to acquire all workshop units in an industrial building, which is located at Tung Chau Street, Kowloon. As at the date of this announcement, the acquisitions are still underway. The directors of the Company consider that it is not practicable to provide a reasonable estimate of that effect until the acquisitions and detailed review have been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULT

For the financial year ended 31 December 2017, the Group's revenue and profit attributable to owners of the Company amounted to approximately HK$732.4 million (2016: approximately HK$40.7 million) and approximately HK$95.8 million (2016: approximately HK$21.7 million) respectively.

BONUS ISSUE OF SHARES AND FINAL DIVIDEND

On 19 May 2017, the Company completed bonus issue on the basis of one (1) bonus share for every one (1) existing share held on 9 May 2017. After the completion of bonus issue, the Company had a total of 448,000,000 issued shares and the number of bonus shares issued under the bonus issue was 224,000,000.

The board of directors (the "**Director(s)**") of the Company (the "**Board**") does recommend the payment of final dividend of HK5.6 cents per ordinary share for the year ended 31 December 2017 (2016: HK22 cents) which is subject to the approval by the shareholders of the Company at the Annual General Meeting ("**AGM**"), to be held on or around Tuesday, on 17 April 2018, and is expected to be distributed to those entitled on Thursday, 26 April 2018.

BUSINESS REVIEW

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

The Group's revenue for the year ended 31 December 2017 amounted to approximately HK$732.4 million (2016: approximately HK$40.7 million), which represented a notable increase of approximately HK$691.7 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2017 was approximately HK$95.8 million (2016: approximately HK$21.7 million), which represented an increase of approximately HK$74.1 million from last year. The increase in revenue and the profit for the year ended 31 December 2017 was mainly due to (i) the revenue recognition for the completion and delivery of sold units from property development project "The Star" to the buyers during the year; and (ii) the non-recurring expenses of approximately HK$16.9 million in relation to the listing of the Company's shares on the Main Board of the Stock Exchange (the "**Listing**") on 13 July 2016 incurred for the year ended 31 December 2016. The basic earnings per share for the period was approximately HK18.9 cents as compared to basic earnings per share of approximately HK5.6 cents as restated after bonus issue on 19 May 2017 for the corresponding period last year. The review of the individual business segment of the Group is set out below.

PROPERTY DEVELOPMENT

Revenue recognised in this business segment during the year amounted to approximately HK$728.2 million (2016: approximately HK$31.9 million). As at 31 December 2017, the Group had two completed projects, namely, (i) The Galaxy and (ii) The Star; and four projects under development, namely, (iii) The Rainbow (previously named as Yue Fung Project); (iv) the CWK Project; (v) Yuen Long site; and (vi) Kwun Tong site. A general summary and update of the property development projects of the Group during the reporting year and as at 31 December 2017 are listed below:

The Galaxy: Revenue recognised for the completion and delivery of three workshop units during the year amounted to HK$14.0 million. (2016: approximately HK$31.9 million). The decrease in revenue for the reporting year was mainly attributable to fewer delivery of completed units compared with last year.

The Star: The Group received the occupation permit from the buildings department of the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "**Hong Kong Government**") on 16 May 2017. Revenue recognised for the completion and delivery of the 282 pre-sold units during the year was approximately HK$714.2 million.

The Rainbow (previously named as Yue Fung Project): The Board has passed a resolutions to change the investment intention of the project from investment property to inventories and classified it as property held for sale as well as to adopt a new development plan with a view to sell after granting approval from the Hong Kong Government on general building plans submission and a special waiver allowing the existing industrial building to be converted into commercial building. The building and the project "Yue Fung Project" has been renamed as "The Rainbow". The Group has launched the pre-sales of the project in November 2017. The total contracted pre-sales amounted to approximately HK$246.1 million which will be recognised (subject to audit) as revenue of the Group upon completion and delivery of units. The project has attracted different age groups including the end users and the investors and making a strong foundation for the Group to achieve sustainable and healthy returns. The Group is currently preparing for the launch of the pre-sale of the remaining units. The alternations and additions works are making good progress and expected to be completed within 2018.

CWK Project: The Group has paid the land premium of HK$280.0 million in September 2017, which is financed by both bank borrowings and the net proceeds from Open Offer (as defined hereafter). The demolition of the existing building is already completed in April 2017. The Group expects to commence foundation works in the second quarter of 2018.

Yuen Long Site Project: The Group has successfully acquired a property located at Wang Yip Street West, Yuen Long, New Territories in February 2017, through acquisition of subsidiaries. Ocean Bay International Limited, a company incorporated in the BVI and a wholly owned subsidiary of the Group as the purchaser entered into a sale and purchase agreement in relation to the acquisition 100% equity interest of, Canton Glory Limited ("**Canton Glory**"), a company incorporated in BVI, at a cash consideration of HK$339,980,000. Canton Glory wholly owns the entire issued share capital in Sincere Gold Properties Limited, a company incorporated in Hong Kong, which holds the property located at Wang Yip Street West, Yuen Long, New Territories. The Group intends to redevelop it into a residential complex with some shops. The Group is in the progress to submit the building plans to the Building Department of the Hong Kong Government and lease modification application to the Lands Department of the Hong Kong Government. The Group expects to commence hoarding and demolition works in the second quarter of 2018.

Kwun Tong Site Project: The Group has successfully acquired an industrial building located in Kwun Tong, Kowloon in August 2017, through Diamond Ocean Investments Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Group as the purchaser entered into a sale and purchase agreement in relation to the acquisition of the properties located at Wai Yip Street, Kwun Tong, Kowloon, at a cash consideration of HK$760,000,000. The Group intends to redevelop it into a high grade commercial building. The building is currently leasing out to generate temporary rental income from properties held for sale. The Group is in the progress to prepare the submission of lease modification to the Lands Department of the Hong Kong Government.

Ngau Tau Kok Site Project: As disclosed in the 2016 Annual Report and 2017 Interim Report of the Company, the Group has entered into a provisional sale and purchase agreement in January 2017 to acquire an industrial building located in Ngau Tau Kok, Kowloon. Pursuant to a provisional sale and purchase agreement entered into in August 2017 between Star Properties Group (BVI) Limited, a wholly owned subsidiary of the Company, and an independent third party (the "**Purchaser**"), the Group agreed to sell its entire equity interest in Moon Colour Holdings Limited, which was a wholly owned subsidiary of the Group and held a property located at Tai Yip Street, Ngau Tau Kok, Kowloon (the "**NTK Site**"), as at completion to the Purchaser at an aggregate cash consideration of HK$360,000,000 (the "**Disposal**"). On the basis that (i) the consideration offered by the Purchaser was higher than our initial acquisition consideration for the NTK Site; and (ii) after balanced consideration and based on the due diligence review of the NTK Site to date, the Disposal represents an opportunity for the Group to focus on the Yuen Long Site Project and the Kwun Tong Site Project which the Directors believe have more attractive development potentials, the Directors are of the view that the terms of the Disposal are fair and reasonable and in the best interest of the Company and its Shareholders as a whole, and would allow the Group to better allocate resources for the development of the businesses of the Group and improve the financial flexibility of the Group. The Disposal was completed in August 2017 and the resulting gain on Disposal was recognised in the profit or loss.

New development projects: The Group is constantly seeking to increase our land bank for future development and has recently entered into five provisional sale and purchase agreements to acquire an industrial building located in Tung Chau Street, Kowloon in January 2018. The Group expects to complete all of the acquisitions by July 2018.

Moving forward, the Group keeps its continuous proactive participation in the search for land reserve for commercial, industrial and residential use that will give a solid competitive advantage to sustain its operation and return in the long run. The Group has also explored other ways of collaboration with external parties for development opportunities to expand market reach as well as strengthen brand awareness with the portfolio of quality properties.

PROPERTY INVESTMENT

As at 31 December 2017, the Group's portfolio of investment properties comprised of car parking spaces located in Hong Kong with a total carrying value of approximately HK$36.7 million (31 December 2016: approximately HK$574.0 million). The decrease in the total carrying value was mainly due to change the investment intention of The Rainbow from an investment property to property held for sale as mentioned under Property Development above and disposal of the car parking spaces. Revenue recognised in this business segment during the year amounted to approximately HK$2.0 million (2016: approximately HK$8.8 million), representing a decrease of approximately HK$6.8 million as compared with last year. The decrease in gross rental income was mainly due to the aforesaid change of investment intention of The Rainbow.

PROVISION OF PROPERTY MANAGEMENT SERVICES

Currently, the Group is operating in the business segment of property management services to provide the management services for our two completed projects, The Galaxy and The Star. Revenue recognised in this business segment during the year amounted to approximately HK$1.0 million (2016: approximately HK$0.9 million), the Group expects this business segment to be expanded by increasing our completed projects in the coming years.

PROVISION OF FINANCE

This new line of business reflects the Group's strategy for business diversification and creating synergy with the Group's existing segments of property related businesses as well as provides a new source of income to earn a relatively higher and stable return compared with deposits and securities investments. Currently, the Group is operating in this business segment to provide credit facilities to individuals and corporations for our two completed projects. Revenue generated from this business segment during this year amounted to approximately HK$1.2 million (2016: nil). The Group expects this business segment will continue to growth healthily under the continuous tightening of mortgage lending policy in Hong Kong and by increasing our completed projects in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 31 December 2017 was approximately HK$642.0 million (31 December 2016: approximately HK$450.1 million). As at 31 December 2017, the Group maintained bank balances and cash of approximately HK$63.5 million (31 December 2016: approximately HK$31.8 million). The Group's net current assets of approximately HK$555.8 million as at 31 December 2017 (31 December 2016: net current liabilities approximately HK$136.0 million). The Group had current assets of approximately HK$2,377.1 million (31 December 2016: approximately HK$779.3 million). The increase of current assets was mainly due to increase in property under development. The Group had current liabilities of approximately HK$1,821.3 million (31 December 2016: approximately HK$915.3 million). The increase of current liabilities was mainly due to the increase in borrowings and recognition of the receipts in advance from the units pre-sold of The Star as revenue in the same reporting period. The Group's level of borrowings is disclosed under note 13.

The Group generally finances its operations with internally generated cashflow, borrowings and equity financing in Hong Kong. During the year, the Company raised approximately HK$134.4 million before expenses by way of the Open Offer (as defined hereafter). As at 31 December 2017, the Group had outstanding borrowings of approximately HK$1,715.2 million (31 December 2016: approximately HK$741.7 million). The borrowings as at 31 December 2017 were secured by the properties of the Company and the corporate guarantee as well as the personal guarantee from a director.

The Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as total borrowings net of cash and cash equivalents divided by total equity) increased from 164.8% as at 31 December 2016 to 267.2% as at 31 December 2017 and increased from 157.7% as at 31 December 2016 to 257.3% as at 31 December 2017 respectively, mainly due to the increase in borrowings which was partially offset with the issue of shares by way of the Open Offer (as defined hereafter).

The Group's debt-to-assets ratio (defined as total borrowings net of cash and cash equivalents divided by total assets) increased from 52.0% as at 31 December 2016 to 67.0% as at 31 December 2017 due to increase in borrowings and increase in properties held for sale.

The Group's capital commitment as at 31 December 2017 amounted to approximately HK$128.0 million (31 December 2016: approximately HK$320.0 million). The decrease of capital commitment was mainly due to the completion of the acquisition of the equity interest of a subsidiary as disclosed under note 14(a).

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

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

FOREIGN EXCHANGE

The Group's transactions and the monetary assets and liabilities are principally denominated in Hong Kong dollars, while all 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 2017, the Group's investment properties and properties held for sale, as well as banks deposits with carrying value of approximately HK$26.3 million and HK$2,243.1 million as well as HK$10.0 million respectively (31 December 2016: approximately HK$539.4 million and HK$682.4 million, as well as nil respectively) were pledged to secure the Group's banking facilities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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

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

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as of 31 December 2017.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed 11 employees (31 December 2016: 7) and appointed 8 Directors (31 December 2016: 9). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to individual performance, working experience, qualification and the current relevant industry practices. Apart from base salary and statutory provident fund scheme, discretionary bonus and share options may be granted to selected staff by reference to the Group's as well as the individual's performances. Other forms of benefits such as medical, on-the-job and external training to staff are also provided. The Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Group maintains a good relationship with its employees.

POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its businesses, financial condition, operations and prospects, and considered that the major risks and uncertainties that may affect the Group included (i) Hong Kong economic and financial conditions which may directly affect the property market; (ii) availability of suitable sites and/or existing buildings for future property development; (iii) the continuous increase of construction costs in Hong Kong; (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; (vii) all property management services are outsourced to independent third parties that they may fail to provide satisfactory day-to-day onsite management services to users adhering to our quality and standards as required by the Group; and (viii) market risk, credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy. The Group has a series of internal control and risk management policies to cope with the abovementioned possible risks and uncertainties, and has serious scrutiny over the selection of quality customers and suppliers. The Group has formed 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. The Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

FUND RAISING ACTIVITY

The Company raised approximately HK$134.4 million before expenses by way of the Open Offer (as disclosed in the announcement of the Company on 21 August 2017 and 8 September 2017), pursuant to which 179,200,000 offer shares was issued at the subscription price of HK$0.75 per offer share (the "**Open Offer**"). Net proceeds from the Open Offer were approximately HK$132.8 million (after deduction of the underwriting commission and relevant expenses), which are intended to be applied in the manner as disclosed in the prospectus of the Open Offer dated 21 August 2017. As at 31 December 2017, the net proceeds from the Open Offer were utilised as follows:

	Net proceeds	**Amount utilised as at 31 December 2017**	**Amount unutilised as at 31 December 2017**
	HK$ million	*HK$ million*	*HK$ million*
Payment of land premium of CWK Project	56.0	56.0	–
Repayment of interest expenses	62.0	18.0	44.0
General working capital of the Group	14.8	14.8	–
TOTAL	132.8	88.8	44.0

The Company listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited on 13 July 2016 (the "**Listing**"). All of the net proceeds from the Listing were fully utilised in the manner as disclosed in the interim report as at 30 June 2017.

PROSPECT

Hong Kong's property market is expected to continue to rise on the basis of a healthy economy, rising confidence in economic growth and continuous inflow of Chinese capital. Driven by strong investment appetite and abundant liquidity, property prices continue to beat market expectation in 2017 and expect to move up moderately in 2018 although buyers' sentiment should be affected by the advent of the U.S. interest rate upcycle. Office market will continue to benefit from a strong GDP growth and optimistic business outlook by major industries while the high rental cost will make the companies to look for alternative solutions in emerging business districts. As for the industrial market, the new revitalization policy will further enhance the industrial property values which will attract new investments. 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. The Group will proactively look for feasible development projects to richen our land bank and launch the property project into the market with an accurate product positioning as well as effective sales and marketing strategy.

Through the fund raising activity in the capital market, the Group has successfully raised fund and utilised in the property development project and general working capital with relatively low financing cost as compared with bank financing as can be obtained by a private company.

The Group remains optimistic about the property market in Hong Kong to grow steadily and will place emphasis on strengthening the property development and investment business by enhancing efficiency and diversifying the development project portfolio to include various types of properties and location to ensure our long-term competitiveness in the best interest of the Group and its Shareholders as a whole.

ANNUAL GENERAL MEETING

The 2018 AGM of the Company will be held on or about Tuesday, 17 April 2018 and the notice of 2018 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINAL DIVIDEND

The Board has resolved to recommend the payment of final dividend for the year ended 31 December 2017 of HK5.6 cents per share (the "**Final Dividend**"), in an aggregate amount of HK$35,123,200, to the shareholders of the Company (the "**Shareholders**") whose name appear on the register of members (the "**Register of Members**") of the Company on Tuesday, 24 April 2018. The Final Dividend is subject to approval by Shareholders at AGM of the Company to be held on or about Tuesday, 17 April 2018 and is expected to be distributed to those entitled on Thursday, 26 April 2018.

CLOSURES OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the AGM, the Register of Members will be closed from Thursday, 12 April 2018 to Tuesday, 17 April 2018 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited (the "**Share Registrar**") at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 11 April 2018.

(ii) For determining the entitlement of the Final Dividend, the Register of Members will be closed from Monday, 23 April 2018 to Tuesday, 24 April 2018 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Share Registrar for registration not later than 4:30 p.m. on Friday, 20 April 2018. The Final Dividend is expected to be distributed to those entitled on Thursday, 26 April 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Listing Rules relating to dealings in securities. Memorandum was sent to the Directors twice a year to draw their attention to the Model Code. The Company made specific enquiries to each Director and received their written confirmation of full compliance with the Model Code for the year ended 31 December 2017 and up to the date hereof and no incident of non-compliance by the Directors was noted by the Company during such period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules with the exception for code provision A.2.1, which requires the roles of chairman and chief executive officer be in different individuals, throughout the year ended 31 December 2017.

Under code provision A.2.1 of the Corporate Governance 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 its 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 the business plans of the Group, 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 the Company and the shareholders as a whole.

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 independent non-executive directors ("**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 2017. During the year ended 31 December 2017 and up to the date of this announcement, four 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 INEDs were present throughout the meeting.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing ("**HKSAs**"), Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.starproperties.com.hk). The annual report for the year ended 31 December 2017 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 28 February 2018

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