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Star Properties Group (Cayman Islands) Limited

星星地產集團(開曼群島)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1560)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Revenue and profit for the year ended 31 December 2016 approximately HK\$40.7 million (2015: approximately HK\$78.7 million) and approximately HK\$21.7 million (2015: approximately HK\$37.1 million) respectively.
- The basic earnings per share for the year ended 31 December 2016 was approximately HK11.2 cents as compared to basic earnings per share of approximately HK22.1 cents for the corresponding period last year.
- Proposed final dividend in respect of the year ended 31 December 2016 of HK22 cents per ordinary share.
- Proposed a bonus issue of shares on the basis of one bonus share for every one existing share held by the shareholders.

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 2016 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>NOTES</u>	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Revenue	3	40,688	78,672
Cost of sales and services		(13,695)	(42,709)
Gross profit		26,993	35,963
Other income	4	3,709	5,963
Gain arising on change in fair value of investment properties		39,545	16,402
Selling expenses		(1,391)	(1,189)
Administrative expenses		(19,939)	(10,139)
Listing expenses		(16,905)	(864)
Finance costs	5	(7,533)	(4,006)
Profit before tax	6	24,479	42,130
Income tax expense	8	(2,740)	(5,028)
Profit for the year and total comprehensive income for the year		<u>21,739</u>	<u>37,102</u>
Earnings per share (in HK cents)			
Basic	9	<u>11.2</u>	<u>22.1</u>
Diluted	9	<u>11.2</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	<u>NOTES</u>	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Non-current assets			
Plant and equipment		159	637
Investment properties		573,990	523,450
Deferred tax asset		1,051	523
Goodwill		-	-
Loan receivables	10	11,449	-
		<u>586,649</u>	<u>524,610</u>
Current assets			
Properties held for sale		691,529	528,269
Trade and other receivables	11	20,993	23,277
Deposits paid		33,998	-
Amounts due from related companies		-	1,819
Stakeholder's accounts		925	61,875
Bank balances and cash		31,809	5,718
		<u>779,254</u>	<u>620,958</u>
Current liabilities			
Trade and other payables	12	171,259	118,192
Amounts due to related companies		-	7,414
Amounts due to directors		-	365,997
Tax liabilities		2,324	1,119
Borrowings		741,663	484,861
		<u>915,246</u>	<u>977,583</u>
Net current liabilities		<u>(135,992)</u>	<u>(356,625)</u>
Total assets less current liabilities		<u>450,657</u>	<u>167,985</u>
Non-current liabilities			
Deferred tax liabilities		529	-
Borrowings		-	21,530
		<u>529</u>	<u>21,530</u>
Net assets		<u>450,128</u>	<u>146,455</u>
Capital and reserves			
Share capital		2,240	2
Reserves		447,888	146,453
Total equity		<u>450,128</u>	<u>146,455</u>

NOTES

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.

Galaxy Real Estate Investment Management Limited ("**GREIM**"), which is controlled by the Controlling Shareholders, was engaged in the provision of project management services for the Group's property projects (the "**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.*

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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.

3. REVENUE AND SEGMENT INFORMATION - continued

Segment assets and liabilities

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

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

Other segment information

For the year ended 31 December 2016

	<u>Property development</u> HK\$'000	<u>Property investment</u> HK\$'000	<u>Segment total</u> HK\$'000	<u>Unallocated</u> HK\$'000	<u>Total</u> 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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

3. REVENUE AND SEGMENT INFORMATION - continued

Other segment information - continued

For the year ended 31 December 2015

	<u>Property development</u> HK\$'000	<u>Property investment</u> HK\$'000	<u>Segment total</u> HK\$'000	<u>Unallocated</u> HK\$'000	<u>Total</u> 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	<u>1,566</u>	<u>2,440</u>	<u>4,006</u>	<u>-</u>	<u>4,006</u>

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	<u>4,518</u>	<u>510</u>	<u>5,028</u>	<u>-</u>	<u>5,028</u>

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:

	<u>2016</u> HK\$'000	<u>2015</u> 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.

4.	OTHER INCOME		
		<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
	Interest income earned on bank balances	574	638
	Interest income from loan receivables	49	-
	Forfeiture of deposits from tenants and 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
		<u>3,709</u>	<u>5,963</u>
5.	FINANCE COSTS		
		<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
	Interest on:		
	Bank borrowings	17,877	9,993
	Loans from related parties	1,712	2,808
	Total borrowing costs	<u>19,589</u>	<u>12,801</u>
	Less: amount capitalised in cost of qualifying assets	<u>(12,056)</u>	<u>(8,795)</u>
		<u>7,533</u>	<u>4,006</u>
6.	PROFIT BEFORE TAX		
		<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
	Profit before tax has been arrived at after charging (crediting):		
	Directors' emoluments	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	<u>6,287</u>	<u>4,212</u>
	Less: capitalised in properties held for sale and investment properties	<u>(2,118)</u>	<u>(2,150)</u>
		<u>4,169</u>	<u>2,062</u>
	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)	<u>2,343</u>	<u>1,196</u>
		<u>(6,494)</u>	<u>(3,963)</u>

7. 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.

8. INCOME TAX EXPENSE

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

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:

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Profit before tax	<u>24,479</u>	<u>42,130</u>
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	<u>2,740</u>	<u>5,028</u>

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:

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Earnings		
Earnings for the purposes of basic and diluted (2015: basic) earnings per share	<u>21,739</u>	<u>37,102</u>
	'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	<u>223</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>194,540</u>	<u>N/A</u>

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.

10. LOAN RECEIVABLES

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Variable-rate loan receivables (Note)	11,590	-
Analysis as:		
- Non-current portion	11,449	-
- Current portion (Note 11)	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 installment 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.

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

	<u>2016</u> HK\$'000	<u>2015</u> 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	-

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

	<u>2016</u>	<u>2015</u>
Effective interest rate:		
- Variable-rate loan receivables	3.25% to 7%	-

11. TRADE AND OTHER RECEIVABLES

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Trade receivables for rental income	32	532
Loan receivables (Note 10)	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
	<u>20,993</u>	<u>23,277</u>

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.

12. TRADE AND OTHER PAYABLES

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Construction payables	7,000	-
Retention payables (Note)	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
	<u>171,259</u>	<u>118,192</u>

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.

13. 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 this announcement, 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.
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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 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. Further details of the bonus issue, including the relevant details of the resolutions to be passed by shareholders and the record date for such entitlements, will be disclosed in a further announcement and circular to be published by the Company.

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 under review was approximately HK\$21.7 million (2015: approximately HK\$37.1 million), which represented a decrease from last year. This 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 of Hong Kong Limited (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 the first quarter of 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 of 2017. The alternations & additions works shall be commenced in the first quarter of 2017 and expected to be completed within 2018.

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 acquired 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 recourses, 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 cash flow and 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.

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 of Hong Kong (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 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 look for feasible development projects and to replenish our land bank for commercial, industrial and residential use. 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.

ANNUAL GENERAL MEETING

The 2016 annual general meeting (“**AGM**”) of the Company will be held on or about Thursday, 27 April 2017 and the notice of 2016 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) in due course.

FINAL DIVIDEND AND BONUS ISSUE AND CLOSURE OF REGISTER OF MEMBERS

FINAL DIVIDEND AND BONUS ISSUE

The Board has resolved to recommend the payment of final dividend for the year ended 31 December 2016 of HK22 cents per share and a bonus issue on the basis of one bonus share for every one existing share held (the “**Final Dividend and Bonus Shares**”), 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, 9 May 2017. The Final Dividend and Bonus Shares is subject to approval by Shareholders at AGM of the Company to be held on or about Thursday, 27 April 2017 and is expected to be distributed to those entitled on Friday, 19 May 2017.

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 Monday, 24 April 2017 to Thursday, 27 April 2017 (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 Friday, 21 April 2017.
- (ii) For determining the entitlement of the Final Dividend and Bonus Shares, the Register of Members will be closed from Monday, 8 May 2017 to Tuesday, 9 May 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the Final Dividend and Bonus Shares, 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, 5 May 2017. The Final Dividend and Bonus Shares are expected to be distributed to those entitled on Friday, 19 May 2017.

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 period from 13 July 2016 (the “**Listing Date**”) to 31 December 2016 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 since the Listing Date and up to 31 December 2016.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules with the exception for code provision A.2.1, which requires the roles of chairman and chief executive officer be in different individuals, throughout the period from the Listing Date up to 31 December 2016.

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 2016. Since the Listing Date and up to the date of this announcement, 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 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 2016 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 2016 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 28 February 2017

As at the date of this announcement, the Board consists of nine Directors comprising four executive Directors, namely Mr. Chan Man Fai Joe (Chairman), Mr. Lam Kin Kok, 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.