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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)

### INTERIM RESULT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors of Star Properties Group (Cayman Islands) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 together with the comparative figures as follows:

#### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	NOTES	Six months ended	
		30.6.2016	30.6.2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	17,414	61,781
Cost of sales and services		(6,684)	(33,178)
Gross profit		10,730	28,603
Other income	4	2,171	3,048
Gain arising on change in fair value of investment properties		911	-
Selling expenses		(960)	(926)
Administrative and other expenses		(10,274)	(4,687)
Listing expenses		(16,438)	-
Finance costs	5	(3,473)	(822)
(Loss) profit before tax	6	(17,333)	25,216
Income tax expense	7	(1,215)	(4,303)
(Loss) profit and total comprehensive (expense) income for the period		(18,548)	20,913
(Loss) earnings per share			
- Basic (HK cents)	8	(11.04)	12.45

## Condensed Consolidated Statement of Financial Position

	<u>NOTES</u>	<u>30.6.2016</u> HK\$'000 (Unaudited)	<u>31.12.2015</u> HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		146	637
Investment properties		526,320	523,450
Deferred tax asset		523	523
		526,989	524,610
<b>CURRENT ASSETS</b>			
Properties held for sale		631,249	528,269
Trade and other receivables	10	20,179	23,277
Amounts due from related companies		1,819	1,819
Stakeholder's account		57,479	61,875
Bank balances and cash		7,255	5,718
		717,981	620,958
<b>CURRENT LIABILITIES</b>			
Accruals and other payables	11	221,956	118,192
Amounts due to related companies		-	7,414
Amounts due to directors		384,436	365,997
Tax liabilities		856	1,119
Borrowings	12	486,681	484,861
		1,093,929	977,583
<b>NET CURRENT LIABILITIES</b>		<b>(375,948)</b>	<b>(356,625)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>151,041</b>	<b>167,985</b>
<b>NON-CURRENT LIABILITY</b>			
Borrowings	12	23,136	21,530
<b>NET ASSETS</b>		<b>127,905</b>	<b>146,455</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	-	2
Retained earnings		127,905	146,453
<b>TOTAL EQUITY</b>		<b>127,905</b>	<b>146,455</b>

# Notes to the Condensed Consolidated Financial Statements

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands with limited liability and its shares have been listed on the Stock Exchange with effect from 13 July 2016.

Pursuant to a reorganisation of the Company and its subsidiaries now comprising the Group completed on 18 March 2016 to rationalise the Group's structure in preparation for the listing on the Main Board of the Stock Exchange (the "Reorganisation"), the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 June 2016 (the "Prospectus"). The Company and its subsidiaries have been under the common control of Mr. Chan Man Fai Joe and Mr. Lam Kim Kok since 1 January 2015 or since their respective dates of incorporation or establishment, where there is a shorter period and that control is not transitory.

The Group resulting from the group restructuring is regarded as a continuing entity. Accordingly, the condensed consolidated statements of profit or loss and other comprehensive income and cash flows for the six months ended 30 June 2015 and 30 June 2016 included the results and cash flows of the companies now comprising the Group which have been prepared by applying the principles of merger accounting, which is consistent with the principle as stated in the Accounting Guideline 5 "Merger accounting for common control combinations" issued by the HKICPA, as if the group structure upon the completion of the group restructuring had been in existence since 1 January 2015 or since their respective dates of incorporation or establishment where this is a shorter period. The condensed 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. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair value as explained in the Prospectus. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial information for the three years ended 31 December 2015 incorporated in the Prospectus. In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretation issued

by the HKICPA that are mandatorily effective for the current interim period. The adoption of the amendments to HKFRSs and interpretation has had no material effect on the reported results and financial position of the Group for the current and prior accounting periods.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000), unless otherwise stated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these unaudited condensed consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on property development and property investment.

	Six months ended	
	<u>30.6.2016</u>	<u>30.6.2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Property development - sales of properties	12,444	61,508
Property investment - rental income from leasing of investment properties	4,970	273
	17,414	61,781

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

Information relating to assets and liabilities in each segment is not included in the internal report regularly reviewed by the executive directors of the Company.

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:

	<b>Segment revenue</b>		<b>Segment result</b>	
	Six months ended		Six months ended	
	<u>30.6.2016</u>	<u>30.6.2015</u>	<u>30.6.2016</u>	<u>30.6.2015</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	12,444	61,508	3,716	26,014
Property investment	4,970	273	711	261
	-----	-----	-----	-----
Segment total	17,414	61,781	4,427	26,275
	-----	-----	-----	-----
Unallocated income			587	381
Unallocated expenses			(5,909)	(1,440)
Listing expenses			(16,438)	-
			-----	-----
(Loss) profit before tax			(17,333)	25,216
			-----	-----

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 chief operating decision makers for the purposes of resource allocation and performance assessment.

4. OTHER INCOME

	Six months ended	
	<u>30.6.2016</u>	<u>30.6.2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	30	637
Temporary rental income from properties held for sale	1,401	1,952
Properties management fees	467	211
Others	273	248
	<hr/>	<hr/>
	2,171	3,048
	<hr/>	<hr/>

5. FINANCE COSTS

	Six months ended	
	<u>30.6.2016</u>	<u>30.6.2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	7,383	3,612
Loans from related parties	1,606	1,392
	<hr/>	<hr/>
Total borrowing costs	8,989	5,004
Less: amount capitalised in cost of qualifying assets	(5,516)	(4,182)
	<hr/>	<hr/>
	3,473	822
	<hr/>	<hr/>

6. (LOSS) PROFIT BEFORE TAX

	Six months ended	
	<u>30.6.2016</u>	<u>30.6.2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit before tax has been arrived at after charging (crediting):		
Total staff costs (including directors' emoluments)	2,643	2,356
Less: capitalised in properties held for sale and investment		
Properties	(1,059)	(1,075)
	<u>1,584</u>	<u>1,281</u>
Cost of inventories recognised as an expense	5,460	32,996
Depreciation of property, plant and equipment	77	74
Property agency commission (included in selling expenses)	117	926
Legal and professional fees	4,310	590
Gross rental income from investment properties	(4,970)	(273)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	1,224	182
	<u>(3,746)</u>	<u>(91)</u>

7. INCOME TAX EXPENSE

	Six months ended	
	<u>30.6.2016</u>	<u>30.6.2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
- Current tax	1,215	4,303
	<u>1,215</u>	<u>4,303</u>

The Group is subject to 16.5% of the estimated assessable profit under Hong Kong Profits Tax.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the (loss) profit for the period attributable to owners of the Company and 168,000,000 ordinary shares of the Company, assuming the capitalisation issue of 167,999,000 ordinary shares had been completed on 1 January 2015, as further detailed in note 23 (2).

No diluted (loss) earnings per share is presented as there are no dilutive potential ordinary shares during the periods.

9. DIVIDEND

No dividends were paid, declared or proposed by the Company during the current and prior interim periods.

10. TRADE AND OTHER RECEIVABLES

	<u>30.6.2016</u>	<u>31.12.2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables for rental income	51	532
Deposits and other receivables	3,524	1,906
Prepayments		
- Prepaid property agent commission	15,547	15,511
- Prepaid listing fees	-	4,305
- Other prepayments	1,057	1,023
	<hr/>	<hr/>
	20,179	23,277
	<hr/>	<hr/>

No credit term is allowed for trade receivables.

The Group's trade receivables based on invoice dates as at 30 June 2016 and 31 December 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.



11. ACCRUALS AND OTHER PAYABLES

	<u>30.6.2016</u>	<u>31.12.2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Retention payables (note)	16,252	10,618
Other payables, deposits received and accruals		
- Receipts in advance from properties pre-sold	142,630	71,360
- Deposits received	3,228	4,073
- Accrued construction costs	51,730	30,191
- Accrued listing fees	6,042	-
- Others	2,074	1,950
	<hr/>	<hr/>
	221,956	118,192
	<hr/>	<hr/>

Note:

Approximately HK\$5,305,000 as at 30 June 2016 and 31 December 2015 were aged more than twelve months from the end of the reporting periods. All retention payables as at 30 June 2016 and 31 December 2015 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

12. BORROWINGS

	<u>30.6.2016</u>	<u>31.12.2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Bank borrowings	486,681	484,861
Loans from related companies	23,136	21,530
	<hr/>	<hr/>
	509,817	506,391
	<hr/>	<hr/>

All bank borrowings are pledged by the following properties of the Group:

	<u>30.6.2016</u>	<u>31.12.2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Properties held for sale		
- under development, at cost	616,862	508,422
	<hr/>	<hr/>
Investment properties		
- under construction, at fair value	24,640	21,770
- pending revitalisation, at fair value	473,000	473,000
	<hr/>	<hr/>
	497,640	494,770
	<hr/>	<hr/>

All bank borrowings are secured by the personal guarantee and corporate guarantee. The details are as follows:

	<u>30.6.2016</u>	<u>31.12.2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Mr. Chan Man Fai Joe	1,108,880	671,880
Mr. Lam Kin Kok	-	7,000
Galaxy Asset Management (HK) Limited (“GAMHK”)	1,108,880	293,800
	<hr/>	<hr/>

The above guaranteed amounts are jointly provided by all parties up to the maximum aggregate sum of loan facility or a specific amount as stated in the banking facility letters, whichever is lower.

The guarantees provided by directors and GAMHK are released on 13 July 2016.

### 13. SHARE CAPITAL

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

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

	Notes	Number <u>of shares</u>	<u>Amount</u> HK\$
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 4 March 2016 (date of incorporation)	(a)	38,000,000	380,000
Increased in authorised share capital, ordinary shares of HK\$0.01 each	(d)	962,000,000	9,620,000
		_____	_____
At 30 June 2016		1,000,000,000	10,000,000
		_____	_____
<b>Issued and fully paid:</b>			
At 4 March 2016 (date of incorporation)	(b)	100	1
Issue of ordinary shares pursuant to the Reorganisation	(c)	900	9
		_____	_____
At 30 June 2016		1,000	10
		_____	_____

Notes:

- (a) On 4 March 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (b) On 4 March 2016, 100 shares were allotted and issued as fully paid, of which 1 share was issued to initial subscriber, 89 shares to Star Properties Holdings (BVI) Limited, a company wholly-owned by Mr. Chan Man Fai Joe and 10 shares to Eagle Trend (BVI) Limited, a company wholly owned by Mr. Lam Kin Kok, respectively. On the same day, the 1 share held by the initial subscriber was subsequently transferred to Star Properties Holdings (BVI) Limited;

- (c) On 22 March 2016, 900 shares were allotted and issued as fully paid, of which 828 shares were issued to Star Properties Holdings (BVI) Limited and 72 shares were issued to Eagle Trend (BVI) Limited; and
- (d) Pursuant to the extraordinary general meeting of our Shareholders held on 27 June 2016, the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of a further 962,000,000 shares of HK\$0.01 each.

#### 14. EVENTS AFTER REPORTING PERIOD

- 1. On 13 July 2016, Mr. Chan Man Fai Joe and Mr. Lam Kin Kok waived the balances due to them of HK\$174,420,000 and HK\$15,580,000, respectively. The aggregate amount of HK\$190,000,000 has been capitalised as shareholders contribution.
- 2. Pursuant to a written resolution passed by the shareholders of the Company on 27 June 2016 conditional upon the crediting of the Company's share premium account as a result of the issue of 167,999,000 ordinary shares in connection with the initial listing of the shares of the Company by way of global offering, the directors of the Company are authorised to capitalise an amount of HK\$1,679,990 standing to the credit of the share premium account of the Company. The shares to be allotted and issued pursuant to the resolution shall rank pari passu in all respects with the existing issued shares. The capitalisation has been done on 13 July 2016.
- 3. On 13 July 2016, the Company issued 56,000,000 new ordinary shares by way of global offering.

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is a property developer principally engaging in property development of industrial buildings for sale or rental in Hong Kong. The businesses are operated under two main business segments:

- property development: development of industrial development sites, redevelopment or enhancement (via alterations and additions works) of existing industrial buildings for the purposes of increasing their capital value and realising such increased capital value from sale of properties; and
- property investment: investment in properties with good capital appreciation potential and rental value, and leasing of such properties retained for the generation of attractive recurring rental income.

After acquisition of industrial properties such as industrial development sites and aging industrial buildings, we either (i) develop industrial development sites or redevelop industrial buildings into industrial buildings or commercial buildings; or (ii) carry out alterations and additions works on existing industrial buildings in order to enhance their capital and rental value.

The revenue of the Group for the six months ended 30 June 2016 was approximately HK\$17.4 million including property development and property investment of HK\$12.4 million and HK\$5 million respectively, (for the six months ended 30 June 2015: approximately HK\$61.8 million including property development and property investment of HK\$61.5 million and HK\$0.3 million respectively), a decrease of approximately HK\$44.4 million. The loss attributable to owners of the Group for the six months ended 30 June 2016 was approximately HK\$18.5 million (for the six months ended 30 June 2015: profit of approximately HK\$20.9 million). The decrease in revenue and the loss for the six months ended 30 June 2016 was mainly due to (i) the non-recurring listing expenses of approximately HK\$16.4 million incurred by the Group in relation to the Listing; and (ii) the decrease in revenue as a result of fewer number of properties sold during the same period. The loss per share for the period was approximately HK11.04 cents as compared to earnings per share of approximately HK12.45 cents for the corresponding period last year.

The Group was listed on the Main Board of the Stock Exchange since 13 July 2016 and most of the business activities were covered in the Prospectus dated 30 June 2016. The review of the individual business segments of the Group is set out below.

### Property Development

As at 30 June 2016, the Group had one completed project, namely, (i) The Galaxy, one project under construction, namely, (ii) The Star, and two projects under development, namely, (iii) the Yue Fung Project and (iv) the CWK Project. Below are the general updates on the current property development projects of the Group reporting their status as at 30 June 2016:

- The Galaxy: completion of the sale and purchase agreements in respect of three workshop units amounted

to HK\$12.4 million for the six month ended 30 June 2016 was recognized as reported in segment information (for the six months ended 30 June 2015: approximately HK\$61.5 million representing approximately 9.1% of the sold units from the first sale year in 2014 to the end of 30 June 2015).

- The Star: construction of The Star up to 20/F of the building. It is expected that the project will be completed in the fourth quarter of 2016.
- Yue Fung Project: obtained notice of acceptance of the Yue Fung Special Waiver Application and submitted general building plans in respect of the Yue Fung Project to the Buildings Department in February 2016.
- CWK Project: submitted general building plans in respect of the CWK Project to the Buildings Department in January 2016, and commenced the first stage of the demolition works which involved the removal of unauthorised building works in the CWK Property; obtained and accepted the provisional basic terms offer in respect of the CWK Lease Modification application from the Lands Department in April and May 2016, respectively.

#### Property Investment

In the first half of 2016, the Group received gross rental income of approximately HK\$5.0 million, representing an increase of approximately HK\$4.7 million over last year.

#### **PROSPECT**

Under current global economic downturn and depreciation of Renminbi, it is expected that the major economies will maintain their current loose monetary policies and hence the continuation of low interest rate, which may lead to lower interest costs of our development projects.

The Group will continue to identify development opportunities for newly built industrial buildings and / or commercial building, and we believe that there is a stable supply of old industrial buildings with good development potential available for redevelopment into newly built industrial buildings and / or commercial building. The supply of development sites comes from existing industrial buildings, in particular those which are old and under-utilised.

The Group has continued to seek extra funding channels from financial institutions and at lower funding cost to support the future development projects.

Special Waiver application for Yue Fung Project and Lease modification for CWK Project are in progress according to relevant project schedules.

#### **SELLING EXPENSES**

The Group's selling expenses was approximately HK\$1 million for the six months ended 30 June 2016, and was comparable to the corresponding period last year. It represented about 5.5% of the revenue for the six months ended 30 June 2016, and was increased as compared to that of 1.5% for the corresponding period last year. This

was mainly due to legal fee of approximately HK\$0.8 million incurred by the Group paid in connection of the property development.

## **ADMINISTRATIVE AND OTHER EXPENSES**

The Group's administrative and other expenses was approximately HK\$10.3 million for the six months ended 30 June 2016 as compared to approximately HK\$4.7 million for the six months ended 30 June 2015. It represented about 59.0% of the revenue for the six months ended 30 June 2016, and was increased as compared to that of 7.6% for the corresponding period last year. This was mainly due to (i) bank charges of approximately HK\$1.8 million for arranging banking facilities; (ii) consultancy fee of approximately HK\$1.5 million paid in relation to the Group reorganization; and (iii) professional fee of approximately HK\$1.1 million paid in connection of the Yue Fung Property.

## **FINANCE COSTS**

The Group's total borrowing costs (including the amounts capitalised) increased by approximately 179.6% from approximately HK\$5.0 million for the six months ended 30 June 2015 to approximately HK\$9.0 million for the six months ended 30 June 2016. The increase was mainly due to the increase in average amount of outstanding bank borrowings during the period.

## **INVESTMENT PROPERTIES**

The Group had investment properties of approximately HK\$526.3 million as at 30 June 2016 (31 December 2015: approximately HK\$523.5 million). The increase was mainly due to increase in fair value of approximately HK\$2.9 million on the investment properties of The Star parking spaces under construction (for the six months ended 30 June 2015: Nil). The Group's investment properties were revalued as at 30 June 2016 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professional qualified valuer, on market basis, in accordance with valuation standards on properties issued by Hong Kong Institute of Surveyors.

## **PROPERTIES HELD FOR SALES**

The Group had properties held for sale of approximately HK\$631.3 million as at 30 June 2016 (31 December 2015: approximately HK\$528.3 million). The increase was mainly due to addition in costs for the property under development of The Star.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The total shareholders' fund of the Group as at 30 June 2016 was approximately HK\$127.9 million (31 December 2015: approximately HK\$146.5 million). As at 30 June 2016, the Group maintained bank balances and cash of approximately HK\$7.3 million (31 December 2015: approximately HK\$5.7 million). The Group's net current liabilities of approximately HK\$376.0 million as at 30 June 2016 (31 December 2015: approximately HK\$356.6 million). The Group had current assets of approximately HK\$718.0 million (31 December 2015: approximately

HK\$621.0 million). The increase of current assets was mainly due to increase in property under construction. The Group had current liabilities of approximately HK\$1,093.9 million (31 December 2015: approximately HK\$977.6 million). The increase of current liabilities was mainly due to increase in the receipts in advance from the units pre-sold of The Star.

The Group generally finances its operations with internally generated cashflow, bank borrowings in Hong Kong, advances from related companies and the directors. As at 30 June 2016, the Group's outstanding bank borrowings of approximately HK\$486.7 million was comparable to the position as at 31 December 2015. These bank loans were secured by corporate guarantees provided by a related company and personal guarantees provided by a director of the Group. The guarantees provided by the director and the related company are released on 13 July 2016.

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 over total equity) increased from 345.8% as at 31 December 2015 to 398.6% as at 30 June 2016 and increased from 341.9% as at 31 December 2015 to 392.9% as at 30 June 2016 respectively due to the loss for the six months ended 30 June 2016 as reported.

The Group's debt-to-assets ratio (total net debt divided by total assets) decreased from 43.7% as at 31 December 2015 to 40.4% as at 30 June 2016 due to addition in costs for the property under development of The Star.

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

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars. 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 six months ended 30 June 2016.

## **PLEDGE OF ASSETS**

As at 30 June 2016, the Group's investment properties (including under construction and pending revitalization) and properties held for sale, with carrying value of approximately HK\$497.6 million, and HK\$616.9 million (31 December 2015: approximately HK\$494.8 million and HK\$508.4 million) were pledged to secure the Group's general banking facilities.

## **EMPLOYEES AND REMUNERATION POLICY**

For the six months ended 30 June 2016, the Group employed 7 employees (six months ended 30 June 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, employees will also be offered discretionary bonus based on the results of the Group and their individual performance. The Group also provides both on-the-job and external training to staffs. 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.

#### **MATERIAL ACQUISITIONS AND DISPOSALS**

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2016.

## **Other Information**

### **SHARE OPTION SCHEME**

The Company's share option scheme was conditionally adopted on 27 June 2016.

The purposes of the share option scheme are to (1) recognise and acknowledge the contributions that Eligible Participants had made or may make to our Group; (2) provide the Eligible Participants (as defined in the Prospectus dated 30 June 2016) with an opportunity to acquire proprietary interests in our Company with the view to motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group and attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

Details of the share option scheme are set out in section headed Share Option Scheme in the Prospectus dated 30 June 2016. No share option has been granted up to the date of this report.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. All the directors have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code since the listing date to the date of the interim report. The Model code also applies to other specified senior management of the Group.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company was listed on the Main Board of the Stock Exchange on 13 July 2016, which is after the six months ended 30 June 2016.

Under code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Man Fai Joe currently holds both positions. Throughout our business history, Mr. Chan Man Fai Joe has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our senior management. Taking into account the continuation of the implementation of our business plans, our directors (including our independent non-executive directors) consider Mr. Chan Man Fai Joe the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our shareholders as a whole.

To the best knowledge of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules with the exception for code provision A.2.1 as disclosed above since the listing date to the date of the interim report.

#### **AUDIT COMMITTEE**

The Audit Committee comprises three independent nonexecutive Directors, namely, Ms. Chan Wah Man Carman, Mr. Lee Chung Ming Eric and Mr. Shiu Siu Tao with Ms. Chan Wah Man Carman being the chairman of the Audit Committee.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control procedures and financial reporting matters including the review of the Group's unaudited interim financial statements for the six months ended 30 June 2016.

In addition, the Company's auditor, Deloitte Touche Tohmatsu Certified Public Accountants, has also conducted a review of the aforesaid unaudited interim financial information in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

#### **MISCELLANEOUS**

The Directors are of the opinion that there have been no material changes to the information published in its Prospectus dated 30 June 2016, other than those disclosed in this interim results announcement.

#### **PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

A results announcement and an interim report containing the information required by the Listing Rules will be published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.starproperties.com.hk](http://www.starproperties.com.hk)) in due course.

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

Hong Kong, 29 August 2016

*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.*