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Star Group Company Limited

星星集團有限公司

(Carrying on business in Hong Kong as SGCL)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1560)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue and profit for the year ended 31 December 2022 approximately HK\$1,699.3 million (For the year ended 31 December 2021: approximately HK\$78.4 million) and approximately HK\$331.1 million (For the year ended 31 December 2021: loss of approximately HK\$37.5 million) respectively.
- The basic and diluted earnings per share for the year ended 31 December 2022 was approximately HK51.43 cents and HK24.40 cents, respectively, as compared to the basic and diluted loss per share of approximately HK5.79 cents and HK5.79 cents, respectively, for the corresponding period last year.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Star Group Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	1,699,304	78,436
Cost of sales and services		<u>(1,089,207)</u>	<u>(15,751)</u>
Gross profit		610,097	62,685
Other income		32,520	28,603
Gain/(loss) on change in fair value of investment properties		9,726	(8,528)
(Loss)/gain on change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(23,573)	143
Gain on disposal of a subsidiary		–	2,168
Selling expenses		(56,825)	(3,737)
Administrative expenses		(179,562)	(97,919)
Finance costs		(19,196)	(19,416)
Share of results of an associate		<u>(403)</u>	<u>–</u>
Profit/(loss) before tax	5	372,784	(36,001)
Income tax expense	6	<u>(41,677)</u>	<u>(1,545)</u>
Profit/(loss) for the year		<u>331,107</u>	<u>(37,546)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences:			
Exchange differences on translation of foreign operations		3,956	(3,419)
Share of other comprehensive income of an associate		<u>11</u>	<u>–</u>
		<u>3,967</u>	<u>(3,419)</u>
Total comprehensive income for the year		<u>335,074</u>	<u>(40,965)</u>

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		329,933	(37,134)
Non-controlling interests		1,174	(412)
		<u>331,107</u>	<u>(37,546)</u>
Total comprehensive income attributable to:			
Owners of the Company		333,659	(40,327)
Non-controlling interests		1,415	(638)
		<u>335,074</u>	<u>(40,965)</u>
Earnings/(loss) per share (in HK cents)			
Basic	7	<u>51.43</u>	<u>(5.79)</u>
Diluted		<u>24.40</u>	<u>(5.79)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AT 31 DECEMBER 2022*

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,745	3,416
Investment properties		883,038	1,054,096
Investment in an associate		15,424	–
Investment in a joint venture		–	–
Deferred tax assets		4,029	3,005
Loan receivables		76,355	53,048
Deposits and other receivables	9	102,426	–
Amount due from a joint venture		2,750	–
Financial assets at fair value through profit or loss		6,129	6,873
		<u>1,094,896</u>	<u>1,120,438</u>
CURRENT ASSETS			
Inventories		10,808	7,056
Properties held for sale		3,841,594	3,871,827
Trade and other receivables	9	64,124	79,462
Financial assets at fair value through profit or loss		10,773	34,968
Amounts due from related companies		92	58
Tax recoverable		404	609
Stakeholders' accounts		17,916	82,243
Pledged bank deposits		10,000	10,403
Bank balances and cash		57,501	94,040
		<u>4,013,212</u>	<u>4,180,666</u>
CURRENT LIABILITIES			
Trade and other payables	10	331,296	218,944
Contract liabilities		19,216	137,177
Amount due to a director		143,621	121,527
Amounts due to related companies		9	2
Lease liabilities		14,945	17,706
Tax liabilities		14,914	128
Borrowings		2,691,858	2,139,654
		<u>3,215,859</u>	<u>2,635,138</u>
NET CURRENT ASSETS		<u>797,353</u>	<u>1,545,528</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,892,249</u>	<u>2,665,966</u>

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities		32,020	39,770
Borrowings		–	1,102,332
Convertible bonds – liability component	<i>11</i>	88,208	81,769
Deferred tax liabilities		54,691	59,839
		<u>174,919</u>	<u>1,283,710</u>
NET ASSETS		<u>1,717,330</u>	<u>1,382,256</u>
CAPITAL AND RESERVES			
Share capital		6,415	6,415
Reserves		1,723,110	1,385,540
		<u>1,729,525</u>	<u>1,391,955</u>
Equity attributable to owners of the Company		(12,195)	(9,699)
Non-controlling interests		<u>1,717,330</u>	<u>1,382,256</u>
TOTAL EQUITY		<u>1,717,330</u>	<u>1,382,256</u>

NOTES

1. GENERAL

Star Group Company Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s immediate and ultimate holding company is Star Properties Holdings (BVI) Limited, a company incorporated in the British Virgin Islands, and its ultimate controlling party is Mr. Chan Man Fai Joe (“**Mr. Joe Chan**”), who is the chairman of the Board of Directors and an executive director of the Company. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. With effect from 31 October 2022, its principal place of business is changed from 17/F, Tesbury Centre, 28 Queen’s Road East, Wan Chai, Hong Kong to Unit 603, 6/F, Tower I, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively the “**Group**”) are principally engaged in property development, property investment, provision of property management services, provision of finance, trading of fine wine and provision of media production services.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

ADOPTION OF NEW OR AMENDED HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Annual improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework

The Group has not applied any new or amended HKFRS that is not yet effective for the current year.

None of these amendments has a material impact on the Group’s financial statements.

3. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of properties	1,619,219	–
Provision of property management services	10,369	7,525
Provision of construction and fitting out works	6,472	3,906
Trading of fine wine	6,217	12,631
Service income from provision of media production services	632	1,713
	<u>1,642,909</u>	<u>25,775</u>
Revenue from other sources		
Rental income from leasing of:		
– investment properties	624	1,536
– service apartments	2,913	2,464
– storage and workshop	42,804	37,818
– wine cellars	6,596	6,367
Interest income from provision of finance	3,458	4,476
	<u>56,395</u>	<u>52,661</u>
Total revenue	<u><u>1,699,304</u></u>	<u><u>78,436</u></u>

4. OPERATING SEGMENTS

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

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

1. Property development – sales of properties
2. Property investment – rental income from leasing of properties
3. Provision of property management services – provision of property management and security services
4. Construction and fitting out works – provision of construction and fitting out works

5. Provision of finance – provision of financing services mainly to the property buyers
6. Wine business – sales of fine wine and rental income from leasing of wine cellars
7. Media production services – provision of media production services in marketing, advertisement and organisation of music concerts

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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Property development	1,619,219	–	376,611	(9,618)
Property investment	46,341	41,818	30,086	2,348
Provision of property management services	10,369	7,525	(601)	464
Construction and fitting out works	6,472	3,906	173	1,611
Provision of finance	3,458	4,476	(4,056)	(424)
Wine business	12,813	18,998	975	1,943
Media production services	632	1,713	(6)	395
	1,699,304	78,436	403,182	(3,281)
Unallocated income			8,822	16,294
Unallocated expenses			(30,884)	(41,767)
Finance costs			(8,336)	(7,247)
Profit/(loss) before tax			372,784	(36,001)

Segment results represent the profit earned/(loss incurred) by each segment without allocation of certain other income, certain 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment assets		
Property development	4,044,592	4,030,625
Property investment	858,253	1,043,632
Provision of property management services	4,847	1,916
Construction and fitting out works	3,894	2,893
Provision of finance	102,321	100,957
Wine business	69,846	60,635
Media production services	961	863
	<hr/>	<hr/>
Total segment assets	5,084,714	5,241,521
Unallocated assets	23,394	59,583
	<hr/>	<hr/>
Consolidated total assets	5,108,108	5,301,104
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Property development	2,591,902	2,914,247
Property investment	479,751	588,118
Provision of property management services	502	186
Construction and fitting out works	11,593	31,406
Provision of finance	207,882	148,633
Wine business	54,932	50,184
Media production services	1,410	774
	<hr/>	<hr/>
Total segment liabilities	3,347,972	3,733,548
Unallocated liabilities	42,806	185,300
	<hr/>	<hr/>
Consolidated total liabilities	3,390,778	3,918,848
	<hr/> <hr/>	<hr/> <hr/>

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

- all assets are allocated to operating segments other than financial assets at FVTPL, certain pledged bank deposit, bank balances and cash, and other corporate assets not attributable to the reportable segments; and
- all liabilities are allocated to operating segments other than certain borrowings, liability component of convertible bonds and other corporate liabilities not attributable to the reportable segments.

OTHER SEGMENT INFORMATION

For the year ended 31 December 2022

	Property development HK\$'000	Property investment HK\$'000	Provision of property management services HK\$'000	Construction and fitting out works HK\$'000	Provision of finance HK\$'000	Wine business HK\$'000	Media production services 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	120,625	16,311	-	-	-	7,168	7	144,111	60	144,171
Depreciation of plant and equipment	1,770	412	-	59	10	198	37	2,486	101	2,587
Depreciation of right-of-use assets	152	385	-	-	-	1,310	-	1,847	-	1,847
Impairment loss/(reversal of impairment loss) recognised on trade receivables	259	(324)	(161)	12	-	(15)	-	(229)	-	(229)
Gain on change in fair value of investment properties	-	(8,585)	-	-	-	(1,141)	-	(9,726)	-	(9,726)
Interest expense	124,755	13,696	-	-	15,872	1,100	-	155,423	23,849	179,272
Loss on change in fair value of financial assets at FVTPL	-	-	-	-	-	-	-	-	23,573	23,573
Share of results of an associate	403	-	-	-	-	-	-	403	-	403
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts regularly provided to the CODM but not included in the measure of segment results:										
Interest income earned on bank balances	<u>(284)</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(292)</u>	<u>(119)</u>	<u>(411)</u>

For the year ended 31 December 2021

	Property development HK\$'000	Property investment HK\$'000	Provision of property management services HK\$'000	Construction and fitting out works HK\$'000	Provision of finance HK\$'000	Wine business HK\$'000	Media production services 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	280	90,704	-	99	-	9	-	91,092	-	91,092
Depreciation of plant and equipment	13	1,026	-	93	10	228	40	1,410	107	1,517
Depreciation of right-of-use assets	607	-	-	-	-	1,310	-	1,917	-	1,917
Impairment loss recognised on trade receivables	-	364	-	-	-	87	-	451	-	451
Loss on change in fair value of investment properties	-	5,412	-	-	-	3,116	-	8,528	-	8,528
Interest expense	72,450	10,199	-	2	3,782	654	-	87,087	16,340	103,427
Gain on change in fair value of financial assets at FVTPL	-	-	-	-	-	-	-	-	(143)	(143)
Gain on disposal of a subsidiary	-	(2,168)	-	-	-	-	-	(2,168)	-	(2,168)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts regularly provided to the CODM but not included in the measure of segment results:										
Interest income earned on bank balances	<u>(156)</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184)</u>	<u>(22)</u>	<u>(206)</u>

GEOGRAPHICAL INFORMATION

The Group's operations are located on both Hong Kong and South Korea.

The Group's revenue is all derived from operations in Hong Kong except revenue of HK\$1,163,861,000 (2021: HK\$351,000) is derived from operations in South Korea.

The Group's non-current assets (excluded financial instruments and deferred tax assets) by geographical location of the assets are detailed below.

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	885,413	919,993
South Korea	116,835	137,519
	<u>1,002,248</u>	<u>1,057,512</u>

INFORMATION ABOUT MAJOR CUSTOMERS

For the year ended 31 December 2022, there was a customer with transactions exceeding 10% of the Group's revenue. These transactions were all related to sales of properties. Revenue from the customer contributing over 10% of the total sales of the Group is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	<u>1,160,140</u>	<u>N/A</u>

For the year ended 31 December 2021, there was no customer with transactions exceeding 10% of the Group's revenue.

5. PROFIT/(LOSS) BEFORE TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss) before tax has been arrived at after charging/(crediting):		
Directors' emoluments	6,388	11,318
Other staff costs, excluding directors' emoluments:		
Salaries and other allowances	38,621	28,750
Retirement benefit scheme contributions	1,387	759
Equity-settled share-based payment expenses	–	4,350
	<hr/>	<hr/>
Total staff costs	46,396	45,177
Less: capitalised in properties held for sale	(1,144)	(3,723)
	<hr/>	<hr/>
	45,252	41,454
	<hr/> <hr/>	<hr/> <hr/>
Auditors' remuneration		
– Annual audit	1,916	1,913
– Others	263	253
Cost of inventories recognised as an expense	1,079,207	10,001
Depreciation of plant and equipment	2,587	1,517
Depreciation of right-of-use assets	1,847	1,917
Direct operation expenses incurred for provision of services and properties leasing (included in cost of sales and services)	10,000	5,750
Exchange difference, net	86,187	16,553
(Reversal of impairment loss)/impairment loss recognised on trade receivables	(229)	451
Property agency commission (included in selling expenses)	44,544	714
Loss on disposal of plant and equipment	34	430
Loss on disposal of an investment property	400	65
Loss/(gain) on lease modification	260	(830)
Gross rental income from investment properties	(52,937)	(48,185)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	2,926	3,003
	<hr/>	<hr/>
	(50,011)	(45,182)
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current tax	760	204
– Overprovision in prior years	(169)	(172)
Korean Corporate Income Tax		
– Current tax	14,551	–
– withholding tax on dividend distribution from subsidiaries	32,831	–
Deferred taxation	(6,296)	1,513
	<u>41,677</u>	<u>1,545</u>

The group entities in Hong Kong are subject to Hong Kong Profits Tax. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The group entities in South Korea are subject to Korean Corporate Income Tax which comprises national and local taxes (collectively “**Korean Corporate Income Tax**”). Korean Corporate Income Tax is charged at the progressive rate from 10% to 25% on the estimated assessable profit of eligible entities derived worldwide except two subsidiaries incorporated in South Korea and qualified as a project financing vehicle where dividends to shareholders can be deducted from the taxable income if the subsidiaries distribute more than 90% of the available profits to their shareholders. No provision on Korean Corporate Income Tax was provided as there is no estimated assessable profits in financial year ended 31 December 2021.

7. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings/(loss)		
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share	329,933	(37,134)
Effect of dilutive potential ordinary shares:		
– Fair value change on redemption derivative component (<i>note (b)</i>)	24,194	N/A
– Interest on convertible bonds (net of tax) (<i>note (b)</i>)	6,439	N/A
Profit/(loss) for the purpose of diluted earnings/(loss) per share	<u>360,566</u>	<u>(37,134)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>641,498</u>	641,498
Effect of dilutive potential ordinary shares:		
– Outstanding share options issued by the Company (<i>note (a)</i>)	N/A	N/A
– Convertible bonds (<i>note (b)</i>)	836,000	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>1,477,498</u>	<u>641,498</u>

Notes:

- (a) The computation of diluted earnings/(loss) per share during the years ended 31 December 2022 and 2021 does not assume the exercise of the Company's all share options because the exercise price of those options was higher than the average market price for shares for the years ended 31 December 2022 and 2021.
- (b) No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2021 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amount presented.

8. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Final – HK Nil cents (2021: 2020 final dividend of HK Nil cents) per share	–	–

The board of directors of the Company does not recommend the payment of final dividend for the years ended 31 December 2022 and 2021.

9. TRADE RECEIVABLES AND DEPOSITS PAID

Customers from trading of fine wine are granted with credit term of 7 days. No credit term is allowed for trade receivables from property management services, construction and fitting out works, media production services and lease receivables.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	2,768	4,468
31–90 days	1,812	1,792
91–180 days	1,451	1,871
181–365 days	1,163	2,486
Over 365 days	611	987
	<u>7,805</u>	<u>11,604</u>

During the year, the Group paid deposits with aggregate amount of HK\$99,041,000 (2021: Nil) to numerous sellers and vendors for the acquisition of a piece of land and prepaid construction costs for a property development project in South Korea. The title of the land has been obtained and transferred to an associate of the Group subsequently in March 2023. The deposits paid were classified as non-current assets as at 31 December 2022.

10. TRADE PAYABLES

No credit terms are granted for all trade payables.

The following is an aged analysis of trade payables presented based on invoice dates.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-30 days	2,305	–
31-90 days	3	–
91-180 days	5	–
181-365 days	–	–
Over 365 days	27	–
	<hr/> 2,340 <hr/>	<hr/> – <hr/>

11. CONVERTIBLE BONDS

On 22 October 2020, the Company issued 3% convertible bonds with nominal value of HK\$418,000,000 as part of the consideration for the acquisition of the shares and shareholder's loan of Metropolitan Group (BVI) Limited and its subsidiaries in prior years. The convertible bonds are perpetual in term and have no maturity date with a principal amount denominated in HK\$ of HK\$418,000,000. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK\$0.5 per conversion share (subject to the adjustments in accordance with the terms of the convertible bonds) at any time during the period commencing from the date of issue of the convertible bonds up to the date which falls on the 10th anniversary of the date of issue of the convertible bonds to the extent all or part of the convertible bonds remain outstanding.

The coupon shall accrue on the outstanding principal amount of the convertible bonds and be payable annually subject to the Company's sole discretion to defer the coupon payment for a maximum period of 10 years from the date when the relevant coupon payment fall due by giving notice to the holders of the convertible bonds. In the opinion of directors, it is the Company's present intention to defer the coupon payment, hence the liability component of the convertible bonds is regarded as non-current liabilities.

The convertible bonds that contain liability, redemption option and conversion option components were classified separately into their respective items on initial recognition. The fair value of various components were determined based on the valuation conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited at the issue date (i.e. 22 October 2020). At each reporting date, the fair value of the convertible bonds as a whole is determined by using the Binomial Option Pricing Model. The fair value of the liability component of the bonds is calculated using cash flows discounted at a rate based on an equivalent market interest rate for equivalent non-convertible bonds. The fair value of the redemption option is determined by the difference between the fair value of equivalent convertible bonds with redemption option and without redemption option.

The initial carrying amount of the equity component was determined by deducting the fair values of the liability and redemption option components from the fair value of the convertible bonds as a whole and was included in equity as convertible bonds – equity component.

The effective interest rate of the liability component on initial recognition and the subsequent recognition of interest expense on the convertible bonds was calculated using effective interest rate of 7.87% per annum.

There was no redemption and conversion of the convertible bonds since its issuance.

The movements of the components of the convertible bonds during the year are set out below:

	Redemption derivative component <i>HK\$'000</i>	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2021	35,590	(75,800)	(313,698)	(353,908)
Effective imputed interest expense recognised	–	(5,969)	–	(5,969)
Change in fair value	(622)	–	–	(622)
As at 31 December 2021	<u>34,968</u>	<u>(81,769)</u>	<u>(313,698)</u>	<u>(360,499)</u>
Effective imputed interest expense recognised	–	(6,439)	–	(6,439)
Change in fair value	(24,195)	–	–	(24,195)
As at 31 December 2022	<u><u>10,773</u></u>	<u><u>(88,208)</u></u>	<u><u>(313,698)</u></u>	<u><u>(391,133)</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULT

For the year ended 31 December 2022, the Group's revenue and profit attributable to owners of the Company amounted to approximately HK\$1,699.3 million (For the year ended 31 December 2021: approximately HK\$78.4 million) and approximately HK\$329.9 million (For the year ended 31 December 2021: loss attributable to owners of the Company amounted to approximately HK\$37.1 million), respectively.

FINAL DIVIDENDS

The board of directors (the “**Director(s)**”) of the Company (the “**Board**”) does not recommend the payment of final dividend for the year ended 31 December 2022 (For the year ended 31 December 2021: Nil). No interim dividend has been declared during the year ended 31 December 2022 (for the six months ended 30 June 2021: Nil).

BUSINESS REVIEW

The Company is principally engaged in property development; property investment for sale, rental or capital appreciation; provision of property management and security services; construction and fitting out works; provision of finance; fund investment and fund management; wine business which includes operation of wine cellar and trading of fine wine; and provision of media production services. The various lifestyle businesses are operating under the brand name of “Metropolitan”.

The Group's revenue for the year ended 31 December 2022 amounted to approximately HK\$1,699.3 million (For the year ended 31 December 2021: approximately HK\$78.4 million), which represented an increase of approximately HK\$1,620.9 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2022 was approximately HK\$329.9 million (For the year ended 31 December 2021: loss attributable to owners of the Company of approximately HK\$37.1 million), which represented an increase of approximately HK\$367.0 million from last year. Both the increase in revenue and profit attributable to owners of the Company were mainly due to the completion and delivery of three buildings of development project in South Korea and the property and carpark units of The Rainbow and The Cloud (compared with no completion and delivery of units from the property development project for the year ended 31 December 2021) during the year ended 31 December 2022. The basic and diluted earnings per share for the year ended 31 December 2022 were approximately HK51.43 cents and HK24.40 cents, respectively, as compared to basic and diluted loss per share of approximately HK5.79 cents and HK5.79 cents, respectively, for the corresponding period of last year. The review of the individual business segment of the Group is set out below.

PROPERTY DEVELOPMENT

Revenue was recognised in this business segment for the year ended 31 December 2022 was approximately HK\$1,619.2 million (For the year ended 31 December 2021: Nil). As at 31 December 2022, the Group had seven completed projects, namely, (a) The Galaxy; (b) The Star; (c) The Rainbow; (d) The Cloud; (e) Corner 19 (f) Corner 25 and (g) Corner 50; and two major projects under development, namely, (h) After the Rain; and (i) Kwun Tong Site Project. A general summary and update of the property development projects of the Group during the year ended 31 December 2022 and as at 31 December 2022 are listed below:

Hong Kong Projects:

- (a) The Rainbow: During the year ended 31 December 2022, the sales of completed units and the temporary rental income from properties held for sale recognised was amounted to approximately HK\$56.2 million and HK\$14.1 million, respectively (For the year ended 31 December 2021: no revenue was recognised from completion and delivery of unit; and the revenue generated through temporary rental income of properties held for sale recognized was amounted to approximately HK\$15.7 million).
- (b) The Cloud: The Group redeveloped a new building in light of the new initiatives of the revitalization of industrial building announced in the Policy Address by the Chief Executive in the fourth quarter of 2018. The Cloud was completed in the second quarter of 2022, while the occupation permit was granted in the first quarter of 2022. The completion and revenue recognition has taken place in the second quarter of 2022. During the year ended 31 December 2022, revenue of approximately HK\$402.9 million was recognised from completion and delivery of 187 property and carpark units of the project (For the year ended 31 December 2021: Nil).
- (c) After The Rain Project: The Group is redeveloping it into a residential complex with some shops on ground floor. This project is positioned as a luxury and stylish condominium residential complex targeting at young residents pursuing high quality and design driven lifestyle. The Group has obtained town planning approval around the middle of 2019 and building plan approval in February 2020. The land premium in relation to the lease modification was paid in 2021. The superstructure work was completed in the first quarter of 2023, and occupation permit is expected to be granted around the end of March 2023. In the meantime, pre-sale permit is granted at the end of February 2023 and the pre-sale has started in March 2023. The construction process is expected to be completed in the second half of 2023.
- (d) Kwun Tong Site Project: The Group intends to redevelop it into a new stylish and prestigious industrial/office building with gorgeous sea views. Hoarding and demolition work of the existing building commenced in the third quarter of 2019. The building is intended to develop in the third quarter of 2023. Upon the completion of the property redevelopment work, the Group intends to sell the property to generate revenue.

South Korea, Seoul Projects:

- (e) Corner 19 Project: The site is located in Seongsu area of Seoul, South Korea. The construction of the building was completed and government approval was granted on 2 November 2021. In order to attract institutional purchasers and increase the value of the building, the Group is in the progress to temporarily lease out all floors to create a stable and high yield to the building. The Group sold the whole building to generate revenue in third quarter of 2022.

- (f) Corner 25 Project: The site is located in Seongsu area of Seoul, South Korea, same area of Corner 50 Project and Corner 19 Project. The Group acquired the project as property investment in 2020, and changed the intention to redevelop the project into a high end prestigious buildings as land mark for the Group in the Seongsu area in the second quarter of 2022. The redevelopment work has been completed in the second quarter of 2022. The Group sold the whole building to generate revenue in third quarter of 2022.
- (g) Corner 50 Project: The site is located in Seongsu area of Seoul, South Korea and the Group intends to redevelop it into a high end prestigious building. The demolition work was completed in the second quarter of 2020 and the construction process was completed in the third quarter of 2022. The Group sold the whole building to generate revenue in third quarter of 2022.
- (h) Big Triangle project: The site is located in Seongsu area of Seoul, South Korea and the project will be redeveloped into a high end prestigious office and retail complex by an associate set up by the Group and two independent third parties during the year ended 31 December 2022. The Group acquired the project as investment in an associate in 2022. The acquisition of land and design works of the project have been initiated since the third quarter of 2022 and were completed in first quarter of 2023. The project's demolition work is expected to complete in second quarter of 2023 and construction work is expected to complete in first quarter of 2026.

PROPERTY INVESTMENT

The Group is engaged in property investment for sale, rental or capital appreciation. Partial of the rental revenue is generated from provision of serviced apartments; co-working spaces and storage under the brand of “Metropolitan”.

Revenue recognised in this business segment during the year ended 31 December 2022 amounted to approximately HK\$46.3 million (For the year ended 31 December 2021: approximately HK\$41.8 million), representing an increase of approximately HK\$4.5 million compared with the corresponding period of last year. Below are the breakdown of revenue on the property investment business under serviced apartment, storage and workshop:

Metropolitan Apartment

Metropolitan Apartment is principally engaged in the business of operation of serviced apartments in Hong Kong which provided fully furnished suites with flexible monthly renewal terms. The target customers of Metropolitan Apartment are short-term overseas employees, local residents and college students. Revenue recognised in this business for the year ended 31 December 2022 amounted to approximately HK\$2.9 million (For the year ended 31 December 2021: approximately HK\$2.5 million), which represented an increase of approximately HK\$0.4 million compared with the corresponding period of last year.

Metropolitan Storage and Workshop

Metropolitan Workshop is principally engaged in the business of provision of 24-hour co-working spaces ranging from private rooms/shared offices, dedicated desks, hot desks, and virtual offices to memberships in multi-location, providing flexible price plans and all equipped workspace perfect for freelancers, entrepreneurs, smaller companies and corporates. Metropolitan Storage is principally engaged in the business of provision and operation of 24-hour storage service to the public in Hong Kong. Revenue recognised in this business for the year ended 31 December 2022 amounted to approximately HK\$42.8 million (For the year ended 31 December 2021: approximately HK\$37.8 million), which represented an increase of approximately HK\$5.0 million compared with the corresponding period of last year.

As at 31 December 2022, the total carrying value of the Group's portfolio of investment properties, amounted to approximately HK\$883.0 million (31 December 2021: approximately HK\$1,054.1 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong and South Korea of HK\$834.7 million (31 December 2021: approximately HK\$988.3 million), and right-of-use assets ("ROU") that meet the definition of investment properties of HK\$48.3 million (31 December 2021: HK\$65.8 million).

Among all of the investment properties, the total carrying value categorized under Property Investment segment, amounted to approximately HK\$838.0 million (31 December 2021: HK\$1,017.4 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong and South Korea of HK\$800.7 million (31 December 2021: HK\$954.3 million); and ROU that meet the definition of investment properties of HK\$37.3 million (31 December 2021: HK\$63.1 million). The remaining investment properties were categorized under Wine Business segment.

The Group will also consider if there is any purchase opportunity for investment property or if any of the development properties have appreciation potential to be converted as investment properties, which allow more stable rental income to be generated.

PROVISION OF PROPERTY MANAGEMENT SERVICES

The Group is providing the property management and security services for our four completed projects The Galaxy, The Star, The Rainbow and The Cloud; two commercial buildings at Sheung Wan; and a residential building located at Happy Valley. Revenue recognised in this business segment for the year ended 31 December 2022 amounted to approximately HK\$10.4 million (For the year ended 31 December 2021: approximately HK\$7.5 million). The Group believes that the provision of all-rounded high quality property management and security services could help to enhance our brand recognition. The increase of upcoming completed projects and provision of services to other property owners or developers are expected to expand this business segment and help the Group to generate stable income in long run.

PROVISION OF FINANCE

The Group is providing credit facilities to individuals and corporations clients for its own development commercial and industrial projects. Revenue generated from this business segment for the year ended 31 December 2022 amounted to approximately HK\$3.5 million (For the year ended 31 December 2021: HK\$4.5 million), representing a decrease of approximately HK\$1.0 million over the corresponding period of last year. The slight decrease in revenue was mainly attributable to repayment of loan from borrowers. The Group expects this business segment to generate a stable income and provide support to enhance the sales of properties.

CONSTRUCTION AND FITTING OUT WORKS

As a Registered General Building Contractor, the Group provides construction services for its own projects and fitting out works for the owners of the properties which are managing by the Group. Revenue generated from this business segment for the year ended 31 December 2022 amounted to approximately HK\$6.5 million (For the year ended 31 December 2021: HK\$3.9 million). The Group expects this business segment will have synergy with other business segments by enhancing the quality of work and lowering the construction or renovation cost.

WINE BUSINESS

The Group engaged in the sales of fine wine to Hong Kong local residents with delivery services through Metropolitan Fine Wine and leasing of professional fine wine storage services through Metropolitan Wine Cellar. Revenue recognised in this business segment for the year ended 31 December 2022 amounted to approximately HK\$12.8 million (For the year ended 31 December 2021: approximately HK\$19.0 million), which represented a decrease of approximately HK\$6.2 million compared with the corresponding period of last year. In the first quarter of 2023, the forth wine cellar was launched at room 404A, Block B, Seaview Estate, the revenue from Metropolitan Wine Cellar is expected to increase going forward.

The total carrying value of the Group's portfolio of investment properties categorized under wine business segment amount to approximately HK\$45.0 million (31 December 2021: approximately HK\$36.7 million), which comprise a unit in industrial building located in Hong Kong of HK\$34.0 million (31 December 2021: HK\$34.0 million); and ROU that meet the definition of investment properties of HK\$11.0 million (31 December 2021: HK\$2.7 million).

PROVISION OF MEDIA PRODUCTION SERVICES

The Group operates this business segment through Metropolitan Production by provision of marketing solution and consultancy services including production of film or advertisement; organisation of media events or music concerts; artist management, etc. Revenue recognised in this business segment for the year ended 31 December 2022 amounted to approximately HK\$0.6 million (For the year ended 31 December 2021: approximately HK\$1.7 million).

FUND INVESTMENT AND MANAGEMENT

Also, the total carrying value of the Group's funds investment, amounted to approximately HK\$6.1 million (31 December 2021: approximately HK\$6.9 million). The decrease of approximately HK\$0.8 million was mainly due to redemption of certain interest in the fund investment of approximately HK\$0.9 million during the year ended 31 December 2022. In order to broaden the sources of finance and expand the market share of property development business, the Group plans to set up and manage a real estate fund for raising more funding in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 31 December 2022 was approximately HK\$1,717.3 million (31 December 2021: approximately HK\$1,382.3 million). As at 31 December 2022, the Group maintained bank balances and cash of approximately HK\$57.5 million (31 December 2021: approximately HK\$94.0 million). The Group's net current assets of approximately HK\$797.4 million as at 31 December 2022 (31 December 2021: approximately HK\$1,545.5 million). The Group had current assets of approximately HK\$4,013.2 million as at 31 December 2022 (31 December 2021: approximately HK\$4,180.7 million). The decrease in current assets was mainly due to decrease in deposit received from pre-sales of properties kept at stakeholders' account and properties classified as properties held for sale. The Group had current liabilities of approximately HK\$3,215.9 million as at 31 December 2022 (31 December 2021: approximately HK\$2,635.1 million). The increase of current liabilities was mainly due to increase in borrowings and amount due to a director.

The Group generally finances its operations with internally generated cashflow, convertible bonds and borrowings from banks and financial institutions. As at 31 December 2022, the Group had convertible bonds issued by the Company with liability portion of HK\$88.2 million (31 December 2021: HK\$81.8 million); and outstanding borrowings of approximately HK\$2,691.9 million (31 December 2021: approximately HK\$3,242.0 million). The borrowings as at 31 December 2022 were secured by the Group's properties, pledged bank deposits and corporate guarantee.

The Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as the total borrowings net of cash and cash equivalents divided by total equity) decreased from approximately 234.5% as at 31 December 2021 to approximately 156.7% as at 31 December 2022 and decreased from approximately 227.7% as at 31 December 2021 to approximately 153.4% as at 31 December 2022, respectively, due to the decrease in borrowings as a result of repayments as well as the increase in the profit attributable to owners of the Company.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) decreased from approximately 59.4% as at 31 December 2021 to approximately 51.6% as at 31 December 2022 due to decrease in total borrowings of the Group.

The Group's capital commitment as at 31 December 2022 amounted to approximately HK\$744.3 million (31 December 2021: approximately HK\$369.9 million). The increase of capital commitment was mainly due to sale and purchase agreements for land acquisition and construction contracts entered into by the Group for a property development project in South Korea (note 9).

The Group has no significant contingent liabilities as at 31 December 2022. The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

The Group adopts a continuing monitoring approach towards treasury management policy so that the financial resources are reviewed from time to time to ensure the Group's smooth operation and loan repayment obligations. Therefore, the management of the Group is of the opinion that the Group's financial structure and resources are healthy and sufficient for meeting its needs on operation, potential investment and to cope with market changes.

CAPITAL STRUCTURE

There were no movements in the Company's share capital during the year ended 31 December 2022 (For the year ended 31 December 2021: Nil).

CONVERTIBLE BONDS

On 21 July 2020, the Company (as purchaser) and Metropolitan Lifestyle (BVI) Limited (as vendor) entered into the Acquisition Agreement to acquire the Sale Share and Sale Loan of Metropolitan Group (BVI) Limited (as defined in the circular of the Company dated 15 September 2020) at an aggregate consideration of HK\$460,000,000, which will be satisfied by (i) part payment in cash; and (ii) allotment and issue of the Convertible Bonds (the "VSA"). Completion of the VSA has taken place on 22 October 2020 and the Convertible Bonds which bear a coupon rate of 3% per annum, in the principal amount of HK\$418,000,000 have been issued to Metropolitan Lifestyle (BVI) Limited. For details, please refer to the announcements of the Company dated 21 July 2020, 30 September 2020 and the circular of the Company dated 14 September 2020. There was no redemption or conversion of the convertible bonds during the Year 2022.

FOREIGN EXCHANGE

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments in South Korea which are denominated in United States dollars and Korean Won. The Group has disposed of three buildings; and also reinvested certain proceeds into a development site in South Korea in year ended 31 December 2022. The foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in US dollars and Korean won.

In respect of the Group's operations in South Korea, the Group maintains an appropriate level of external borrowings in Korean Won for natural hedging of Korean Won attributed to those projects. The Korean Won currency exposure of the Group is mainly derived from the translation of current assets and liabilities of the subsidiaries in South Korea with functional currency of Korean Won and the Korean Won deposits held for future development costs to be expended to Hong Kong dollar. During the year ended 31 December 2022, the Group recorded exchange loss of approximately HK\$86.2 million (For the year ended 31 December 2021: HK\$16.6 million). The increase was mainly due to realised exchange loss on profit distributions made by the subsidiaries in South Korea to the Group.

Management of the Group is of the opinion that this exchange loss on profit distributions is one-off in nature as the Group has no mature development projects in South Korea which will have profit distribution to the Group in coming two years.

As at 31 December 2022, offshore bank borrowings were approximately Korean Won 0.2 billion, which is approximately HK\$1.0 million (31 December 2021: approximately Korean Won 38.1 billion, which is approximately HK\$249.4 million), as working capital loan (31 December 2021: land loan, construction loan and project loan for the development projects in South Korea). The offshore borrowings were repaid after the completion and disposal of South Korea Projects in the year ended 31 December 2022. The interest rate of these bank borrowings was at 5.1% as at 31 December 2022 (31 December 2021: ranged from 3.15% to 4.20%).

Apart from this, the Group does not have any significant foreign exchange exposure. Foreign currency funding and deposit exposure are monitored on a continuous basis. Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency. The management of the Group is of the opinion that the Group has not experienced any material difficulties or liquidity on its local operation 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 2022, the Group's investment properties and properties held for sale, as well as pledged bank deposit with carrying value of approximately HK\$834.7 million and HK\$3,841.6 million as well as HK\$10.0 million, respectively, (31 December 2021: approximately HK\$911.2 million and HK\$3,871.8 million as well as HK\$10.4 million, respectively) were pledged to secure the Group's credit 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

During the year ended 31 December 2022, the Group invested into a new development project, Big Triangle Project, by setting up an associate company, Bigtriangle PFV Co. Ltd., (the “Associate”) with two independent third parties in South Korea. The Associate intends to redevelop it into a high end prestigious office and retail complex.

Save as disclosed elsewhere in this announcement, there was no significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the reporting period and the Group did not have other plans for material investments or capital assets as of 31 December 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed 122 employees (31 December 2021: 104 employees) and appointed 7 Directors (31 December 2021: 7 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 scheme, 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) market risk which refers to the economic and financial conditions that has direct impact to the property market and purchasing power. Other retails business providers including provision of serviced apartments, workshops, storage and wine cellars may also be highly affected by the market sentiment when the economic outlook of Hong Kong was not positive; (ii) business risk like the supply and price level of bank borrowings may have significant impact to the cost of our development projects; (iii) industry risk which mainly refers to the continuing increase of construction costs; (iv) regulatory risk such as the changes of regulations may affect the completion time of our property development projects or the market sentiment e.g. property cooling measures imposed by the Government from time to time; (v) suppliers risk such as the outsource of construction works to independent third parties while 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) other business risk like the revenue cycle is strongly depends on the sales of properties which may lead to significant fluctuation of profitability in different periods; (vii) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (viii) credit risk from provision of finance which may incur bad debts during the downturn of economy; (ix) bank borrowing and interest rate risk which may limit or otherwise materially and adversely affect our business, results of operations and financial conditions; and also (x) the operational expenses may also be affected by the economic situations.

The Board acknowledges its responsibility to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness from time to time. The Group has set up a risk control committee to coordinate, respond to and to tackle the abovementioned possible risks and uncertainties, and has serious scrutiny over the selection of quality customers and suppliers. The Risk Control Committee intends to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material misstatement or loss. The risk control committees is also responsible for developing and reviewing strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. The Group has also engaged internal auditor to review the internal operation flow to ensure the compliance with relevant rules and regulations. Whenever possible, the Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

Impact of COVID-19 Pandemic

The Group has implemented a series of precautionary and control measures since the outbreak of COVID-19 to ensure business continuity. In order to protect our workforce from outbreak, the Group has provided clear and timely guidelines to all staffs; maintained a close monitoring on all staff's health status, travel history and potentially infectious contacts; provided extra sanitization products and air purifier machine to all sites. Since the business operations of Metropolitan Group involve direct contact with a lot of customers, the Group has ensured proper sanitization and cleaning work is done on a regular basis. The Group has encouraged its staffs, who are eligible and fit, to take COVID-19 vaccination to protect themselves and others.

The Group's business focus in Hong Kong and South Korea, it was not significantly impacted by quarantine policy and tourism ban. As of 31 December 2022, the financial impact of COVID-19 pandemic on the Group is not significant.

PROSPECT

During the year ended 31 December 2022, the global economic environment continued to face challenges, including interest rate hikes, inflation, and volatility in the foreign exchange market as well as dampened consumer sentiment. In particular, the intermittent waves of resurgence of the pandemic in Mainland China and Hong Kong further impeded the pace of economic recovery. The Group remained focused on improving business performance and operational efficiencies during the uncertain time. Macro headwinds in the global economy started to recede as countries began to relax pandemic-related restrictions, boosting global economic activities and stimulating international travel.

Inflation was still one of the hottest topics in the capital and stock market in the United States all along the way in these two years. Nevertheless, the hawkish interest rate policy under such high inflation rate has been bringing another economic issue to the United States. According to the outlook report released by U.S. Bureau of Economic Analysis, the American economy improved in second half of 2022 as the real GDP increased 2.1 percent in 2022, compared with a shrank annualized 0.9% in real GDP on quarter in the second quarter of 2022. If Federal Reserve keeps raising the interest rate as expected by the market, the looming recession may trigger the Federal Reserve to re-evaluate the interest rate policy.

Historically speaking, rising interest rate is negative for the property market in Hong Kong. That will add to the interest burden of homeowners or other property buyers. Probably, emigration wave, rise of mortgage rate and frozen borders to both the mainland China and the world out there are all in play for the decline of property price.

The HKSAR Government has put in place new institutional set-ups and initiated an array of schemes targeted at attracting talents and businesses to Hong Kong. Apart from actively nurturing and retaining local talents, the new initiatives include the launch of the Top Talent Pass Scheme, streamlining the General Employment Policy and the Admission Scheme for Mainland Talents and Professionals, suspending the annual quota under the Quality Migrant Admission Scheme, relaxing the Immigration Arrangements for Non-local Graduates, and enhancing the Technology Talent Admission Scheme. These timely measures not only enable eligible incoming talents to enhance Hong Kong's competitiveness, lending further support to the local property market. Furthermore, the adjusted value bands for ad valorem stamp duty as announced in The 2023/24 Budget of HKSAR Government in last February 2023 would ease the burden on ordinary families of purchasing their first residential properties, particularly small and medium residential units. Fuelled by the government's efforts as mentioned above, the Group maintains a cautiously optimistic view of the property market in Hong Kong.

With the recent full border reopening between Mainland China and Hong Kong as well as removal of travel curbs, cultural exchanges and economic activities between the two markets are expected to resume and thrive, leading to an appreciable economic recovery. Mainland China stays committed to opening up, and will continue to drive forward and create an even brighter future through key national strategies such as the 14th Five-Year Plan and the development of the Guangdong Hong Kong-Macao Greater Bay Area (“GBA”). Mainland China will undoubtedly remain an important growth engine for the global economy. The Northern Metropolis Development strategy will strengthen our links with the GBA and provide a new commercial centre for the city with innovation and technology facilities and infrastructure. Hong Kong will continue to serve as a powerful hub for cross-border trade and leisure travels as the economies of the GBA cities continue to expand.

In Seoul, South Korea, where we have recorded a remarkable financial performance for successful sales of Corner 19, Corner 25 and Corner 50 projects in the year ended 31 December 2022 despite followed by economic recession since the start of the fourth quarter of 2022. According to the Knight Frank Property Research Report, South Korea, is still one of the most focused Asian countries which would attract global cross boarder capital to invest in 2023. In 2023, we expect conditions in South Korea to improve in the second half of the year as global demand begins to pick up and the deleveraging cycle comes to an end.

In coming 2023, the Group is pleased to observe positive developments in various markets and sectors, while acknowledging the importance of staying vigilant in monitoring the changing markets while getting prepared for a meaningful recovery. Also, the reopening of China's borders will provide support for the residential market in Hong Kong and we believe the price of the residential property will remain stable and gradually rebound throughout this year.

EVENTS AFTER THE REPORTING PERIOD

As from 31 December 2022 to the date of this announcement, saved as disclosed elsewhere in this announcement, the Board is not aware of any significant events that have occurred which require disclosure herein.

OTHER INFORMATION

ANNUAL GENERAL MEETING

The 2023 annual general meeting (“**AGM**”) of the Company will be held on Thursday, 1 June 2023 and the notice of 2023 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.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the Register of Members will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023 (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 of the Company 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 May 2023.

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. Having made specific enquiries of each Director, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022 and no incident of non-compliance by the Directors was noted by the Company throughout year ended 31 December 2022.

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 throughout the year ended 31 December 2022.

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 C.2.1, which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individuals, throughout the year ended 31 December 2022.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individuals. Mr. Chan Man Fai Joe currently holds both positions. Throughout our business history, Mr. Chan Man Fai Joe has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group’s operations as he directly supervises our senior management.

The Company has considered the issue of balance of power of authority on the Board and believes the structure of the Company, including strong independent elements in the Board, delegation of authorities to the management, supervision by the Board and Board committees, is sufficient to address the potential issue on power concentration. All Directors, who bring different experience and expertise to the Company, are properly briefed on issues arising at Board meetings and that adequate, complete and reliable information is received by the Directors. Furthermore, decisions of the Board are made by way of majority votes. The Board believes that this structure is conducive to a more precise and more promptly response to the fast changing business environment and a more efficient management and implementation of business process. The Board also considers that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group’s business strategies. The Board considers Mr. Chan Man Fai Joe is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our shareholders as a whole.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, including, Ms. Chan Wah Man Carman (Chairman of the Audit Committee), Mr. Lee Chung Ming Eric and Dr. Wong Wai Kong.

The functions of the audit committee are, among others, to assist the Board to review the financial information of the Company, including interim and final results; to monitor and review the relationship with the external auditors, particularly on their independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to oversight of the Company’s risk management, financial system and internal control procedures; to oversight of the Company’s corporate governance functions and connected transactions; and to make relevant recommendations to the Board to ensure effective, efficient and reliable reporting.

The Audit Committee had reviewed the Group’s audited consolidated financial statements and above matters for the year ended 31 December 2022.

SCOPE OF WORK OF BDO LIMITED

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 2022 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing ("HKSA"), 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 BDO Limited 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.stargroup.net). The 2022 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 Group Company Limited
(Carrying on business in Hong Kong as SGCL)
Chan Man Fai Joe
Chairman

Hong Kong, 29 March 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chan Man Fai Joe (Chairman and chief executive officer) and Ms. Cheung Wai Shuen; two non-executive Directors, namely Mr. Tsui Wing Tak and Mr. Yim Kwok Man; and three independent non-executive Directors, namely Dr. Wong Wai Kong, Mr. Lee Chung Ming Eric and Ms. Chan Wah Man Carman.