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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 2023

FINANCIAL HIGHLIGHTS

- Revenue and loss for the year ended 31 December 2023 approximately HK\$1,243.7 million (For the year ended 31 December 2022: approximately HK\$1,699.3 million) and approximately HK\$298.2 million (For the year ended 31 December 2022: profit of approximately HK\$331.1 million) respectively.
- The basic and diluted loss per share for the year ended 31 December 2023 was approximately HK45.92 cents and HK45.92 cents, respectively, as compared to the basic and diluted earnings per share of approximately HK51.43 cents and HK24.40 cents, respectively, for the corresponding period last year.

** for identification purpose only*

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 2023 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	1,243,710	1,699,304
Cost of sales and services		<u>(1,243,833)</u>	<u>(1,089,207)</u>
Gross (loss)/profit		(123)	610,097
Other income		28,537	32,520
(Loss)/gain on change in fair value of investment properties		(65,402)	9,726
Loss on change in fair value of financial assets at fair value through profit or loss		(7,607)	(23,573)
Loss on disposal of a subsidiary		(72)	–
Selling expenses		(46,631)	(56,825)
Administrative expenses		(110,787)	(179,562)
Finance costs		(93,994)	(19,196)
Share of results of an associate		<u>(5,095)</u>	<u>(403)</u>
(Loss)/profit before tax	5	(301,174)	372,784
Income tax credit/(expense)	6	<u>2,967</u>	<u>(41,677)</u>
(Loss)/profit for the year		<u>(298,207)</u>	<u>331,107</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences:			
Exchange differences on translation of foreign operations		(2,925)	3,956
Share of other comprehensive income of an associate		(362)	11
Recycle to profit or loss upon deregistration of subsidiaries		<u>(1,560)</u>	<u>–</u>
		<u>(4,847)</u>	<u>3,967</u>
Total comprehensive income for the year		<u>(303,054)</u>	<u>335,074</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/profit for the year attributable to:			
Owners of the Company		(294,595)	329,933
Non-controlling interests		<u>(3,612)</u>	<u>1,174</u>
		<u>(298,207)</u>	<u>331,107</u>
Total comprehensive income attributable to:			
Owners of the Company		(299,442)	333,659
Non-controlling interests		<u>(3,612)</u>	<u>1,415</u>
		<u>(303,054)</u>	<u>335,074</u>
(Loss)/earnings per share (in HK cents)			
Basic	7	<u>(45.92)</u>	<u>51.43</u>
Diluted		<u>(45.92)</u>	<u>24.40</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	<i>Notes</i>	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,957	4,745
Investment properties		776,584	883,038
Investment in an associate		9,967	15,424
Investment in a joint venture		–	–
Deferred tax assets		4,377	4,029
Loan receivables		60,120	76,355
Deposits and other receivables	9	3,935	102,426
Amount due from a joint venture		–	2,750
Financial assets at fair value through profit or loss		<u>5,160</u>	<u>6,129</u>
		<u>865,100</u>	<u>1,094,896</u>
CURRENT ASSETS			
Inventories		12,843	10,808
Properties held for sale		2,900,972	3,841,594
Trade and other receivables	9	51,996	64,124
Financial assets at fair value through profit or loss		2,582	10,773
Amount due from an associate		100,520	–
Amounts due from related companies		1	92
Tax recoverable		29	404
Stakeholders' accounts		31,242	17,916
Pledged bank deposits		10,000	10,000
Bank balances and cash		<u>46,919</u>	<u>57,501</u>
		<u>3,157,104</u>	<u>4,013,212</u>
CURRENT LIABILITIES			
Trade and other payables	10	245,981	331,296
Contract liabilities		12,957	19,216
Amount due to a director		82,188	143,621
Amounts due to related companies		2	9
Lease liabilities		15,965	14,945
Tax liabilities		330	14,914
Borrowings		<u>2,068,927</u>	<u>2,691,858</u>
		<u>2,426,350</u>	<u>3,215,859</u>
NET CURRENT ASSETS		<u>730,754</u>	<u>797,353</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,595,854</u>	<u>1,892,249</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		34,271	32,020
Convertible bonds – liability component	<i>11</i>	95,151	88,208
Deferred tax liabilities		52,156	54,691
		<u>181,578</u>	<u>174,919</u>
NET ASSETS		<u>1,414,276</u>	<u>1,717,330</u>
CAPITAL AND RESERVES			
Share capital		6,415	6,415
Reserves		1,423,668	1,723,110
Equity attributable to owners of the Company		1,430,083	1,729,525
Non-controlling interests		(15,807)	(12,195)
TOTAL EQUITY		<u>1,414,276</u>	<u>1,717,330</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 and its principal place of business is 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 and security services, provision of finance, trading of fine wine and provision of media production services.

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

(A) ADOPTION OF NEW OR AMENDED HKFRSs

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model rules
HKFRS 17	Insurance Contracts and the Related Amendments

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 except as discussed below:

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The HKICPA issued HKFRS Practice Statement 2 *Making Materiality Judgements* in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting policies’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

(B) NEW GUIDANCE ON ACCOUNTING IMPLICATIONS OF THE ABOLITION OF THE MPF-LSP OFFSETTING MECHANISM IN HONG KONG ISSUED BY HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“**MPF**”) to offset severance payment (“**SP**”) and long service payments (“**LSP**”) (the “**Abolition**”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (the “**Transition Date**”). The following key changes will take effect since the Transition Date:

Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer’s MPF contributions and its LSP obligation and the accounting for offsetting mechanism could become material in light of the Abolition, the HKICPA published ‘Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong (the “**Guidance**”) in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of HKAS 19.93(a)

Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the year ended 31 December 2022 and 2023, the Group’s LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

3. REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of properties	1,157,984	1,619,219
Provision of property management services	12,850	10,369
Provision of construction and fitting out works	5,720	6,472
Trading of fine wine	10,129	6,217
Service income from provision of media production services	<u>604</u>	<u>632</u>
	<u>1,187,287</u>	<u>1,642,909</u>
Revenue from other sources		
Rental income from leasing of:		
– investment properties	3,553	624
– service apartments	3,417	2,913
– storage and workshop	38,639	42,804
– wine cellars	6,831	6,596
Interest income from provision of finance	<u>3,983</u>	<u>3,458</u>
	<u>56,423</u>	<u>56,395</u>
Total revenue	<u><u>1,243,710</u></u>	<u><u>1,699,304</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 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	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development	1,157,984	1,619,219	(178,376)	376,611
Property investment	45,609	46,341	(67,648)	30,086
Provision of property management services	12,850	10,369	(366)	(601)
Construction and fitting out works	5,720	6,472	(143)	173
Provision of finance	3,983	3,458	(11,716)	(4,056)
Wine business	16,960	12,813	(3,238)	975
Media production services	604	632	229	(6)
	<u>1,243,710</u>	<u>1,699,304</u>	<u>(261,258)</u>	<u>403,182</u>
Unallocated income			2,192	8,822
Unallocated expenses			(33,878)	(30,884)
Finance costs			(8,230)	(8,336)
(Loss)/profit before tax			<u>(301,174)</u>	<u>372,784</u>

Segment results represent the (loss incurred)/profit earned 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Segment assets		
Property development	3,072,532	4,044,592
Property investment	749,783	858,253
Provision of property management services	4,698	4,847
Construction and fitting out works	2,342	3,894
Provision of finance	96,843	102,321
Wine business	75,162	69,846
Media production services	853	961
	<hr/>	<hr/>
Total segment assets	4,002,213	5,084,714
Unallocated assets	19,991	23,394
	<hr/>	<hr/>
Consolidated total assets	<u>4,022,204</u>	<u>5,108,108</u>
Segment liabilities		
Property development	1,872,426	2,591,902
Property investment	431,251	479,751
Provision of property management services	1,322	502
Construction and fitting out works	8,234	11,593
Provision of finance	106,694	207,882
Wine business	70,161	54,932
Media production services	1,003	1,410
	<hr/>	<hr/>
Total segment liabilities	2,491,091	3,347,972
Unallocated liabilities	116,837	42,806
	<hr/>	<hr/>
Consolidated total liabilities	<u>2,607,928</u>	<u>3,390,778</u>

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 2023

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Provision of property management services <i>HK\$'000</i>	Construction and fitting out works <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Wine business <i>HK\$'000</i>	Media production services <i>HK'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment results or segment assets:										
Addition to non-current assets	-	21,485	-	150	-	572	-	22,207	-	22,207
Depreciation of plant and equipment	265	165	-	46	5	266	2	749	79	828
Depreciation of right-of-use assets	385	1,474	-	-	-	-	-	1,859	-	1,859
Write down of properties held for sale	23,623	-	-	-	-	-	-	23,623	-	23,623
Impairment loss recognised on trade receivables	105	99	309	243	-	-	-	756	-	756
Impairment loss on other receivables	-	-	-	-	2,287	-	-	2,287	-	2,287
Impairment loss on amount due from a joint venture	-	2,750	-	-	-	-	-	2,750	-	2,750
Loss on change in fair value of investment properties	-	65,402	-	-	-	-	-	65,402	-	65,402
Interest expense	147,287	24,542	-	-	17,563	3,900	-	193,292	27,558	220,850
Loss on change in fair value of financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	7,607	7,607
Share of results of an associate	5,095	-	-	-	-	-	-	5,095	-	5,095

Amounts regularly provided to the CODM but not included in the measure of segment results:

Interest income earned on bank balances	<u>(888)</u>	<u>(28)</u>	<u>(3)</u>	<u>(1)</u>	<u>(6)</u>	<u>(3)</u>	<u>(1)</u>	<u>(930)</u>	<u>(310)</u>	<u>(1,240)</u>
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For the year ended 31 December 2022

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Provision of property management services <i>HK\$'000</i>	Construction and fitting out works <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Wine business <i>HK\$'000</i>	Media production services <i>HK'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 fair value through profit or loss	-	-	-	-	-	-	-	-	23,573	23,573
Share of results of an associate	403	-	-	-	-	-	-	403	-	403

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>
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GEOGRAPHICAL INFORMATION

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

During the year, the Group's revenue is all derived from operations in Hong Kong. For the year ended 31 December 2022, the Group's revenue was all derived from operations in Hong Kong except revenue of HK\$1,163,861,000 was 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	781,422	885,413
South Korea	10,086	116,835
	<u>791,508</u>	<u>1,002,248</u>

INFORMATION ABOUT MAJOR CUSTOMERS

For the year ended 31 December 2023, no customer with transactions exceeded 10% of the Group's revenue. For the year ended 31 December 2022, there was one 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 was as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	<u>N/A</u>	<u>1,160,140</u>

5. (LOSS)/PROFIT BEFORE TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/profit before tax has been arrived at after charging/ (crediting):		
Directors' emoluments	4,651	6,388
Other staff costs, excluding directors' emoluments:		
Salaries and other allowances	33,160	38,621
Retirement benefit scheme contributions	1,407	1,387
	<u>39,218</u>	<u>46,396</u>
Total staff costs	39,218	46,396
Less: capitalised in properties held for sale	–	(1,144)
	<u>39,218</u>	<u>45,252</u>
Auditors' remuneration		
– Annual audit	1,520	1,916
– Others	249	280
Cost of inventories recognised as an expense	1,206,318	1,079,207
Depreciation of plant and equipment	828	2,587
Depreciation of right-of-use assets	1,859	1,847
Direct operation expenses incurred for provision of services and properties leasing (included in cost of sales and services)	13,892	10,000
Exchange difference, net	8,452	86,187
Impairment loss/(reversal of impairment loss) recognised on trade receivables	756	(229)
Impairment loss on other receivables	2,287	–
Impairment loss on amount due from a joint venture	2,750	–
Write down of properties held for sale (included in cost of sales and services)	23,623	–
Property agency commission (included in selling expenses)	41,434	44,544
(Gain)/loss on disposal of plant and equipment	(107)	34
Loss on disposal of an investment property	–	400
Loss on lease modification	–	260
Gross rental income from investment properties	(52,440)	(52,937)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	5,250	2,926
	<u>(47,190)</u>	<u>(50,011)</u>

6. INCOME TAX (CREDIT)/EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current tax	87	760
– Overprovision in prior years	(171)	(169)
Korean Corporate Income Tax		
– Current tax	–	14,551
– withholding tax on dividend distribution from subsidiaries	–	32,831
Deferred taxation	<u>(2,883)</u>	<u>(6,296)</u>
	<u>(2,967)</u>	<u>41,677</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. No provision on Korean Corporate Income Tax was provided as there is no estimated assessable profits in financial year ended 31 December 2023. For the year ended 31 December 2022, two subsidiaries incorporated in South Korea qualified as a project financing vehicle where dividends to shareholders could be deducted from the taxable income as the subsidiaries distribute more than 90% of the available profits to their shareholders.

7. (LOSS)/EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic (loss)/earnings per share	(294,595)	329,933
Effect of dilutive potential ordinary shares:		
– Fair value change on redemption derivative component (<i>note (b)</i>)	N/A	24,195
– Interest on convertible bonds (net of tax) (<i>note (b)</i>)	N/A	6,439
(Loss)/profit for the purpose of diluted (loss)/earnings per share	<u>(294,595)</u>	<u>360,567</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>641,498</u>	<u>641,498</u>
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>)	N/A	836,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>641,498</u>	<u>1,477,498</u>

Notes:

- (a) The computation of diluted (loss)/earnings per share during the years ended 31 December 2023 and 31 December 2022 respectively 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 2023 and 2022.
- (b) No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2023 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

The board of directors of the Company does not recommend the payment of final dividend for the years ended 31 December 2023 and 2022.

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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	3,170	2,768
31-90 days	1,550	1,812
91-180 days	1,209	1,451
181-365 days	731	1,163
Over 365 days	<u>445</u>	<u>611</u>
	<u><u>7,105</u></u>	<u><u>7,805</u></u>

During the year ended 31 December 2022, the Group paid deposits with an aggregate amount of HK\$99,041,000 to numerous sellers and vendors for the acquisition of a piece of land and prepaid construction costs for a property project in South Korea. The title of the land was obtained and transferred to the associate of the Group 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.

	<i>2023</i> <i>HK\$'000</i>	2022 HK\$'000
0-30 days	76	2,305
31-90 days	501	3
91-180 days	59	5
181-365 days	221	–
Over 365 days	<u>1,049</u>	<u>27</u>
	<u><u>1,906</u></u>	<u><u>2,340</u></u>

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 falls 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 was 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 2022	34,968	(81,769)	(313,698)	(360,499)
Effective imputed interest expense recognised	–	(6,439)	–	(6,439)
Change in fair value	<u>(24,195)</u>	<u>–</u>	<u>–</u>	<u>(24,195)</u>
As at 31 December 2022	<u>10,773</u>	<u>(88,208)</u>	<u>(313,698)</u>	<u>(391,133)</u>
Effective imputed interest expense recognised	–	(6,943)	–	(6,943)
Change in fair value	<u>(8,191)</u>	<u>–</u>	<u>–</u>	<u>(8,191)</u>
As at 31 December 2023	<u><u>2,582</u></u>	<u><u>(95,151)</u></u>	<u><u>(313,698)</u></u>	<u><u>(406,267)</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULT

For the year ended 31 December 2023, the Group's revenue and loss attributable to owners of the Company amounted to approximately HK\$1,243.7 million (For the year ended 31 December 2022: approximately HK\$1,699.3 million) and approximately HK\$294.6 million (For the year ended 31 December 2022: profit attributable to owners of the Company amounted to approximately HK\$329.9 million), respectively.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (For the year ended 31 December 2022: Nil). No interim dividend has been declared during the year ended 31 December 2023 (2022: 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 2023 amounted to approximately HK\$1,243.7 million (For the year ended 31 December 2022: approximately HK\$1,699.3 million), which represented a decrease of approximately HK\$455.6 million compared with last year. Loss attributable to owners of the Company for the year ended 31 December 2023 was approximately HK\$294.6 million (For the year ended 31 December 2022: profit attributable to owners of the Company of approximately HK\$329.9 million), which represented a decrease of approximately HK\$624.5 million from last year. The loss was mainly due to (i) the decrease in revenue generated from the sales of completed projects under property development segment of the Group by approximately HK\$461.2 million from approximately HK\$1,619.2 million for the year ended 31 December 2022 to approximately HK\$1,158.0 million for the year ended 31 December 2023; (ii) write down of properties held for sale of HK\$23.6 million (For the year ended 31 December 2022: Nil) and loss on change in fair value of investment properties amounted to approximately HK\$65.4 million (For the year ended 31 December 2022: gain on change in fair value of approximately HK\$9.7 million); and (iii) increase in finance costs (after deducting amount capitalised in cost of qualifying assets) by approximately HK\$74.8 million from approximately HK\$19.2 million for the year ended 31 December 2022 to approximately HK\$94.0 million for the year ended 31 December 2023.

The basic and diluted loss per share for the year were both approximately HK45.92 cents, as compared to basic and diluted earnings per share of approximately HK51.43 cents and HK24.40 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 2023 was approximately HK\$1,158.0 million (For the year ended 31 December 2022: HK\$1,619.2 million). As at 31 December 2023, the Group had three completed projects, namely, (a) The Rainbow; (b) The Cloud; and (c) After the Rain; and two projects pending development, namely, (d) Kwun Tong Site Project and (e) Big Triangle Project (held by an associate of the Group). A general summary and update of the property development projects of the Group during the year ended 31 December 2023 and as at 31 December 2023 are listed below:

Hong Kong Projects:

- (a) The Rainbow: During the year ended 31 December 2023, the sales of completed units and the temporary rental income from properties held for sale recognised was amounted to approximately HK\$10.9 million and HK\$11.4 million, respectively (For the year ended 31 December 2022: approximately HK\$56.2 million and HK\$14.1 million, respectively).
- (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 2022 and revenue recognition has taken place since the second quarter of 2022. During the year ended 31 December 2023, revenue of approximately HK\$150.7 million was recognised from completion and delivery of 49 property and carpark units of the project (For the year ended 31 December 2022: HK\$402.9).
- (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 project is providing 335 residential units, 5 ground floor shops and 65 car parking spaces. The pre-sales consent was granted in February 2023. The superstructure work was completed in the first quarter of 2023, and occupation permit and certificate of compliance was granted in April 2023 and October 2023 respectively. The completion and revenue recognition has taken place in the second half of 2023. During the year ended 31 December 2023, revenue of approximately HK\$996.3 was recognised from completion and delivery of 168 residential units of the project (For the year ended 31 December 2022: Nil).
- (d) Kwun Tong Site Project: The total site area is around 12,600 sq.ft. and it is classified as industrial/office land. The project alongside the sea with 180-degree panorama of Victoria Harbour overlooking the breathtaking views of Hong Kong Island.

South Korea, Seoul Project:

- (e) 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 in 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 completed 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 2023 amounted to approximately HK\$45.6 million (For the year ended 31 December 2022: approximately HK\$46.3 million), representing a decrease of approximately HK\$0.7 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 2023 amounted to approximately HK\$3.4 million (For the year ended 31 December 2022: approximately HK\$2.9 million), which represented an increase of approximately HK\$0.5 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 2023 amounted to approximately HK\$38.6 million (For the year ended 31 December 2022: approximately HK\$42.8 million), which represented a decrease of approximately HK\$4.2 million compared with the corresponding period of last year.

As at 31 December 2023, the total carrying value of the Group's portfolio of investment properties, amounted to approximately HK\$776.6 million (31 December 2022: approximately HK\$883.0 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong of HK\$725.8 million (31 December 2022: approximately HK\$834.7 million), and right-of-use assets ("ROU") that meet the definition of investment properties of HK\$50.8 million (For the year ended 31 December 2022: HK\$48.3 million).

Among all of the investment properties, the total carrying value categorized under Property Investment segment, amounted to approximately HK\$733.0 million (31 December 2022: HK\$838.0 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong of HK\$691.8 million (31 December 2022: HK\$800.7 million); and ROU that meet the definition of investment properties of HK\$41.2 million (31 December 2022: HK\$37.3 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 five completed projects The Galaxy, The Star, The Rainbow, The Cloud and After the Rain; 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 2023 amounted to approximately HK\$12.8 million (For the year ended 31 December 2022: approximately HK\$10.4 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 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 2023 amounted to approximately HK\$4.0 million (For the year ended 31 December 2022: HK\$3.5 million), representing an increase of approximately HK\$0.5 million over the corresponding period of last year due to increase in number of loans to the purchasers of the Group's property units. 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 managed by the Group. Revenue generated from this business segment for the year ended 31 December 2023 amounted to approximately HK\$5.7 million (For the year ended 31 December 2022: HK\$6.5 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 2023 amounted to approximately HK\$17.0 million (For the year ended 31 December 2022: approximately HK\$12.8 million), which represented an increase of approximately HK\$4.2 million compared with the corresponding period of last year. The revenue increased because the forth wine cellar was launched in 2023.

The total carrying value of the Group's portfolio of investment properties categorized under wine business segment amount to approximately HK\$43.6 million (31 December 2022: approximately HK\$45.0 million), which comprise a unit in industrial building located in Hong Kong of HK\$34.0 million (31 December 2022: HK\$34.0 million); and ROU that meet the definition of investment properties of HK\$9.6 million (31 December 2022: HK\$11.0 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 2023 amounted to approximately HK\$0.6 million (For the year ended 31 December 2022: approximately HK\$0.6 million).

FUND INVESTMENT AND MANAGEMENT

Also, the total carrying value of the Group's funds investment, amounted to approximately HK\$5.2 million (31 December 2022: approximately HK\$6.1 million). 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 2023 was approximately HK\$1,414.3 million (31 December 2022: approximately HK\$1,717.3 million). As at 31 December 2023, the Group maintained bank balances and cash of approximately HK\$46.9 million (31 December 2022: approximately HK\$57.5 million). The Group had net current assets of approximately HK\$730.8 million as at 31 December 2023 (31 December 2022: approximately HK\$797.4 million). The Group had current assets of approximately HK\$3,157.1 million as at 31 December 2023 (31 December 2022: approximately HK\$4,013.2 million). The decrease in current assets was mainly due to the sales of property units (which was classified as properties held for sale) after completion of the property development project during the year. The Group had current liabilities of approximately HK\$2,426.4 million as at 31 December 2023 (31 December 2022: approximately HK\$3,215.9 million). The decrease in current liabilities was mainly due to the repayment of bank loans using the proceeds generated from sales of property units during the year.

The Group generally finances its operations with internally generated cashflow, convertible bonds and borrowings from banks and financial institutions. As at 31 December 2023, the Group had convertible bonds issued by the Company with liability portion of HK\$95.2 million (31 December 2022: HK\$88.2 million); and outstanding borrowings of approximately HK\$2,069.0 million (31 December 2022: approximately HK\$2,691.9 million). The borrowings as at 31 December 2023 were secured by the Group's properties, pledged bank deposits and corporate guarantee.

The Group's gearing ratio (defined as the total 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 156.7% as at 31 December 2022 to approximately 146.3% as at 31 December 2023 and decreased from approximately 153.4% as at 31 December 2022 to approximately 143.0% as at 31 December 2023, respectively, due to the decrease in borrowings as a result of repayments.

The Group's debt-to-assets ratio (defined as total borrowings net of cash and cash equivalents divided by total assets) decreased from approximately 51.6% as at 31 December 2022 to approximately 50.3% as at 31 December 2023 due to a decrease in total borrowings of the Group.

The Group's capital commitment as at 31 December 2023 amounted to approximately HK\$12.6 million (31 December 2022: approximately HK\$744.3 million). The decrease of capital commitment was mainly due to payment of the construction costs of the development projects towards the completion of projects and transfer of a piece of land, which consideration had not been fully paid as at 31 December 2022, to an associate of the Group during the year.

The Group has no significant contingent liabilities as at 31 December 2023. 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 2023 (For the year ended 31 December 2022: 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 ended 31 December 2023 (For the year ended 31 December 2022: Nil).

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 operations in South Korea which are denominated in United States dollars and Korean Won. The foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in United States 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 2023, the Group recorded exchange loss of approximately HK\$8.5 million (For the year ended 31 December 2022: HK\$86.2 million). The amount decreased significantly as there was no realised exchange loss on dividend distributions made by the subsidiaries in South Korea to the Group during the year.

As at 31 December 2023, offshore bank borrowings were approximately Korean Won 0.1 billion, which is approximately HK\$0.7 million (31 December 2022: approximately Korean Won 0.2 billion, which is approximately HK\$1.0 million), as working capital loan for the operations in South Korea. The offshore borrowings are expected to be repaid in 2024. The interest rate of these bank borrowings was at 6.2% as at 31 December 2023 (31 December 2022: 5.1%).

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 2023, the Group's investment properties and properties held for sale, as well as pledged bank deposit with carrying value of approximately HK\$725.8 million and HK\$2,816.7 million as well as HK\$10.0 million respectively (31 December 2022: approximately HK\$834.7 million and HK\$3,841.6 million as well as HK\$10.0 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

On 27 July 2023, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest in Advalue Group Limited (“Advalue”), an indirect wholly-owned subsidiary of the Company at a total consideration of HK\$58,000,000. Advalue is principally engaged in property investment in Hong Kong and had one of the investment properties of the Group prior to the disposal. The disposal was completed during the year.

Save as disclosed elsewhere in this report, 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 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed 133 employees (31 December 2022: 122 employees) and appointed 7 Directors (31 December 2022: 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 (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.

PROSPECT

In spite of the complicated international circumstances with the ongoing Russia-Ukraine war and Israeli-Palestinian conflict, coupled with the Red Sea Crisis, all of which had adversely affected the stability of global supply chain, leading to the increase in inflationary pressure and high interest rates.

China's central government continued to dedicate solid efforts to strengthen economic development and stimulate domestic demand through various effective measures. In addition, in view of the likely end of interest rate hike cycle and the Hong Kong Government's budget measures which implemented various policies to stimulate Hong Kong's market economy and to ease the policies on property market, it is expected that the real estate market will gradually return to normalized operation.

The global economic gravity will continue to shift eastward and Asia will remain an important engine of global economic growth. The real estate market in Asia is diverse and dynamic, with varying conditions across different countries and cities. Overall, many Asian countries have experienced rapid urbanization, economic growth, and a rising middle class, contributing to increased demand for real estate. Some cities such as Tokyo, Seoul and Singapore have established themselves as major real estate hubs, attracting both domestic and international investors. These cities have experienced strong demand for various types of properties, including residential, commercial and industrial.

The Group will also explore investment opportunities in the Asian market, such as Japan, considering the recent decline of the Yen, which slid from around Yen 103 against the United States dollar at the end of 2020 to multidecade low of around Yen 151 in late 2023. Additionally, it may benefit from Japan's monetary policy with zero interest rates.

Although 2024 may be another challenging year, we are well-poised to benefit from our flexibility, enabling businesses to stay agile, competitive and responsive to market dynamics. We will continue deploying prudent and nimble strategies to navigate through different market conditions.

EVENTS AFTER THE REPORTING PERIOD

As from 31 December 2023 to the date of this announcement, the Board is not aware of any significant events that have occurred which require disclosure herein.

OTHER INFORMATION

ANNUAL GENERAL MEETING

The 2024 annual general meeting (“**AGM**”) of the Company will be held on Thursday, 23 May 2024 and the notice of 2024 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, 20 May 2024 to Thursday, 23 May 2024 (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 Friday, 17 May 2024.

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 2023 and no incident of non-compliance by the Directors was noted by the Company throughout year ended 31 December 2023.

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 2023.

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 2023.

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 individual. Mr. Chan Man Fai Joe currently holds both positions. Throughout our business history, Mr. Chan Man Fai Joe has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group’s operations as he directly supervises our senior management.

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 to be 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 2023.

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 2023 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 2023. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing ("HKSA's"), Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA 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 2023 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, 28 March 2024

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.