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Star Group Asia Limited

星星集團亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1560)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Director(s)**”) of Star Group Asia Limited (formerly known as Star Group Company Limited) (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 together with the comparative figures as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended	
	NOTES	30.6.2024 HK\$'000 (Unaudited)	30.6.2023 HK\$'000 (Unaudited)
Revenue	4	517,921	160,294
Cost of sales and services		(599,184)	(131,078)
Gross (loss)/profit		(81,263)	29,216
Other income	5	8,584	13,469
Gain on change in fair value of financial assets at fair value through profit or loss	13	—	455
Selling expenses		(24,597)	(10,272)
Administrative expenses		(35,693)	(55,219)
Finance costs	6	(83,366)	(7,454)
Share of results of an associate		(960)	11
Gain on deregistration of a subsidiary		120	—
Loss before tax	7	(217,175)	(29,794)
Income tax credit	8	130	206
Loss for the period		(217,045)	(29,588)
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(8,877)	604
Total comprehensive income for the period		(225,922)	(28,984)

		Six months ended	
		30.6.2024	30.6.2023
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(218,538)	(29,737)
Non-controlling interests		1,493	149
		<u>(217,045)</u>	<u>(29,588)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(227,415)	(29,133)
Non-controlling interests		1,493	149
		<u>(225,922)</u>	<u>(28,984)</u>
Loss per share			
— Basic (<i>HK cents</i>)	<i>10</i>	<u>(34.07)</u>	<u>(4.64)</u>
— Diluted (<i>HK cents</i>)	<i>10</i>	<u>(34.07)</u>	<u>(4.64)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>NOTES</i>	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Non-current Assets			
Property, plant and equipment	11	10,307	4,957
Investment properties		776,584	776,584
Investment in an associate		9,010	9,967
Investment in a joint venture		—	—
Deferred tax assets		4,377	4,377
Loan receivables	12	51,820	60,120
Deposits and other receivables	14	3,910	3,935
Financial assets at fair value through profit or loss	13	5,160	5,160
		861,168	865,100
Current Assets			
Inventories		12,317	12,843
Properties held for sale		2,310,027	2,900,972
Trade and other receivables, deposits and prepayments	14	50,952	51,996
Financial assets at fair value through profit or loss	13	2,582	2,582
Amount due from an associate		100,378	100,520
Amount due from a joint venture		—	—
Amounts due from related companies		4	1
Tax recoverable		29	29
Stakeholder's accounts		26,806	31,242
Pledged bank deposits		10,000	10,000
Bank balances and cash		21,098	46,919
		2,534,193	3,157,104
Current Liabilities			
Trade and other payables	15	215,962	245,981
Contract liabilities		28,911	12,957
Amount due to a director		121,812	82,188
Amounts due to related companies		2	2
Lease liabilities		19,788	15,965
Tax liabilities		498	330
Borrowings	16	1,679,998	2,068,927
		2,066,971	2,426,350
Net Current Assets		467,222	730,754
Total Assets less Current Liabilities		1,328,390	1,595,854

	<i>NOTES</i>	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Non-current Liabilities			
Lease liabilities		29,243	34,271
Convertible bonds — liability component	<i>17</i>	58,637	95,151
Deferred tax liabilities		52,156	52,156
		<u>140,036</u>	<u>181,578</u>
Net Assets		<u>1,188,354</u>	<u>1,414,276</u>
Capital and Reserves			
Share capital	<i>18</i>	6,415	6,415
Reserves		1,196,253	1,423,668
		<u>1,202,668</u>	<u>1,430,083</u>
Equity attributable to owners of the Company		(14,314)	(15,807)
Non-controlling interests		<u>1,188,354</u>	<u>1,414,276</u>
Total Equity		<u>1,188,354</u>	<u>1,414,276</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of Star Group Asia Limited (formerly known as Star Group Company Limited) (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accounts (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

2. ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2023 (“**2023 annual financial statements**”).

Application of New and Amendments to HKFRSs

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	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants (“ 2022 Amendments ”)
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

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

The adoption of these amendments has no material impact on the Group’s financial statements.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2023 annual financial statements.

4. REVENUE AND SEGMENT INFORMATION

	Six months ended	
	30.06.2024	30.06.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of properties	477,512	118,619
Service income from provision of property management and security services	7,078	5,861
Service income from provision of construction and fitting out works	2,955	3,185
Trading of fine wine	3,449	5,717
	<u>490,994</u>	<u>133,382</u>
Revenue from other sources		
Rental income from leasing of:		
— investment properties	737	614
— service apartments	1,750	1,655
— storage and workshop	19,141	19,487
— wine cellar	3,818	3,197
Interest income from provision of finance	1,481	1,959
	<u>26,927</u>	<u>26,912</u>
Total revenue	<u><u>517,921</u></u>	<u><u>160,294</u></u>

(A) Disaggregation of Revenue from Contracts with Customers

Segments	Sales of properties		Provision of property management services		Wine business		Construction and fitting out works		Provision of media production services		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30.6.2024	30.6.2023	30.6.2024	30.6.2023	30.6.2024	30.6.2023	30.6.2024	30.6.2023	30.6.2024	30.6.2023	30.6.2024	30.6.2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of properties	477,512	118,619	—	—	—	—	—	—	—	—	477,512	118,619
Provision of property management and security services	—	—	7,078	5,861	—	—	—	—	—	—	7,078	5,861
Construction and fitting out works	—	—	—	—	—	—	2,955	3,185	—	—	2,955	3,185
Trading of fine wine	—	—	—	—	3,449	5,717	—	—	—	—	3,449	5,717
Total	477,512	118,619	7,078	5,861	3,449	5,717	2,955	3,185	—	—	490,994	133,382
Geographical market												
Hong Kong	477,512	118,619	7,078	5,861	3,449	5,717	2,955	3,185	—	—	490,994	133,382
Timing of revenue recognition												
A point in time	477,512	118,619	—	—	3,449	5,717	—	—	—	—	480,961	124,336
Over time	—	—	7,078	5,861	—	—	2,955	3,185	—	—	10,033	9,046
Total	477,512	118,619	7,078	5,861	3,449	5,717	2,955	3,185	—	—	490,994	133,382

(B) Segment Information

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

1. Property development — sales of properties
2. Property investment — rental income from leasing of investment properties
3. Provision of property management services — provision of property management 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 property buyers
6. Wine business — sales of fine wine and rental income from leasing of wine cellars
7. Provision of media production services — provision of media production services in marketing, advertisement and organisation of music concerts

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

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30.6.2024	30.6.2023	30.6.2024	30.6.2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property development	477,512	118,619	(203,488)	(6,121)
Property investment	21,628	21,756	3,089	450
Provision of property management services	7,078	5,861	912	(29)
Construction and fitting out works	2,955	3,185	511	164
Provision of finance	1,481	1,959	(2,312)	(3,345)
Wine business	7,267	8,914	(204)	(886)
Provision of media production Services	—	—	(16)	339
	<u>517,921</u>	<u>160,294</u>	<u>(201,508)</u>	<u>(9,428)</u>
Unallocated income			1,276	919
Unallocated expenses			(12,864)	(17,845)
Finance costs			(4,079)	(3,440)
Loss before tax			<u>(217,175)</u>	<u>(29,794)</u>

Segment results represent the profit earned or loss incurred by each segment without allocation of certain other income, administrative expenses and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

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

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segments assets		
Property development	2,479,676	3,072,532
Property investment	755,110	749,783
Provision of property management services	4,062	4,698
Construction and fitting out works	2,521	2,342
Provision of finance	62,184	96,843
Wine business	70,721	75,162
Media production services	853	853
	<hr/>	<hr/>
Total segment assets	3,375,127	4,002,213
Unallocated assets	20,234	19,991
	<hr/>	<hr/>
Consolidated total assets	<u>3,395,361</u>	<u>4,022,204</u>
Segments liabilities		
Property development	1,549,727	1,872,426
Property investment	424,811	431,251
Provision of property management services	558	1,322
Construction and fitting out works	7,623	8,234
Provision of finance	71,049	106,694
Wine business	65,416	70,161
Media production services	1,003	1,003
	<hr/>	<hr/>
Total segment liabilities	2,120,187	2,491,091
Unallocated liabilities	86,820	116,837
	<hr/>	<hr/>
Consolidated total liabilities	<u>2,207,007</u>	<u>2,607,928</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 fair value through profit or loss, certain pledged bank deposits, 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 and other corporate liabilities not attributable to the reportable segments.

5. OTHER INCOME

	Six months ended	
	30.6.2024	30.6.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income earned on bank balances and pledged bank deposits	308	1,687
Temporary rental income from properties held for sale	5,359	6,729
Others	2,917	5,053
	<u>8,584</u>	<u>13,469</u>

6. FINANCE COSTS

	Six months ended	
	30.6.2024	30.6.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
Borrowings	74,855	91,366
Advance from a director	3,548	4,537
Interest on lease liabilities	1,418	1,451
Imputed interest on convertible bonds	3,545	2,831
	<u>83,366</u>	<u>100,185</u>
Total borrowing costs	83,366	100,185
Less: amount capitalised in cost of qualifying assets	—	(92,731)
	<u>83,366</u>	<u>7,454</u>

Borrowing costs capitalised at rate ranging from 3.72% to 13.55% per annum during the six months ended 30 June 2023 arose on the specific and general borrowings for the expenditure on each property development. No borrowing costs were capitalised during the period.

7. LOSS BEFORE TAX

	Six months ended	
	30.6.2024 <i>HK\$'000</i> (Unaudited)	30.6.2023 <i>HK\$'000</i> (Unaudited)
Loss before tax has been arrived at after charging/(crediting):		
Directors' emoluments	2,046	2,046
Other staff costs		
— Salaries and other allowances	13,045	16,537
— Retirement benefit scheme contributions	600	687
Total staff costs	<u>15,691</u>	<u>19,270</u>
Auditors' remuneration	266	227
Cost of inventories recognised as an expense	532,485	123,784
Depreciation of property, plant and equipment	300	650
Depreciation of right-of-use assets	966	1,092
Gain on deregistration of a subsidiary	(120)	—
Write down of properties held for sale (included in cost of sales and services)	64,771	—
Impairment loss recognised on trade receivables	<u>57</u>	<u>—</u>

8. INCOME TAX CREDIT

	Six months ended	
	30.6.2024 <i>HK\$'000</i> (Unaudited)	30.6.2023 <i>HK\$'000</i> (Unaudited)
Hong Kong Profits Tax — current tax	130	61
Deferred taxation	—	145
	<u>130</u>	<u>206</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 in Hong Kong will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong 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 9% to 24% on the estimated assessable profit of eligible entities derived worldwide. No provision on Korean Corporate Income Tax has been provided as there is no estimated assessable profits in financial period ended 30 June 2024.

9. DIVIDEND

During the current period, the directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2023.

The directors of the Company do not recommend the payment of any interim dividend for both the six months ended 30 June 2024 and 30 June 2023.

10. LOSS PER SHARE

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

	Six months ended	
	30.6.2024 <i>HK\$'000</i> (Unaudited)	30.6.2023 <i>HK\$'000</i> (Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(218,538)	(29,737)
Effect of dilutive potential ordinary shares:		
— Interest on convertible bonds (net of tax) (<i>Note</i>)	<u>N/A</u>	<u>N/A</u>
Loss for the period attributable to owners of the Company for the purpose of diluted loss per share	<u>(218,538)</u>	<u>(29,737)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	641,498	641,498
Effect of dilutive potential ordinary shares:		
— Outstanding share opinions issued by the Company (<i>Note</i>)	<u>N/A</u>	<u>N/A</u>
— Convertible bonds (<i>Note</i>)	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>641,498</u>	<u>641,498</u>

Note:

For the six months ended 30 June 2023 and 2024, no diluted loss per share was calculated as the potential dilutive ordinary shares arising from convertible bonds and share options have an anti-dilutive effect on the basic loss per share amount presented.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group's additions and disposals of property, plant and equipment were HK\$6,621,000 and HK\$8,000 respectively (for the six months ended 30 June 2023: HK\$722,000 and HK\$246,000 respectively).

12. LOAN RECEIVABLES

	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Loan receivables (<i>Note</i>)	61,284	70,139
Analysis as:		
— Non-current portion	51,820	60,120
— Current portion (<i>note 14</i>)	9,464	10,019
	61,284	70,139

Note:

As at 30 June 2024 and 31 December 2023, the loan receivables were secured by the property units of the borrowers and were interest bearing at various rates ranging from Hong Kong prime rate quoted by the lending bank ("P") minus 2.25% to P per annum. Loans are provided to the borrowers above at a range of 48% to 85% (31 December 2023: 48% to 85%) of sale consideration of the pledged property units. The directors of the Company consider that the fair values of the collaterals are higher than the carrying amount of loan receivables as at 30 June 2024 and 31 December 2023. As at 30 June 2024 and 31 December 2023, all the loan receivables are neither past due nor impaired.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Unlisted investment fund	<i>(a)</i>	3,641	3,641
Unlisted participation note	<i>(b)</i>	1,519	1,519
Derivative financial instrument — redemption option	<i>(c)</i>	2,582	2,582
Total		7,742	7,742
Classified as:			
Financial assets at fair value through profit or loss (“FVTPL”):			
— Non-current		5,160	5,160
— Current		2,582	2,582
		7,742	7,742

Notes:

- (a) The Group subscribed an unlisted private equity fund at cost of HK\$5,000,000, representing 10% of the total fund size. No change in fair value has been recognised in the profit or loss (for the six months ended 30 June 2023: fair value gain of HK\$455,000). The fair value of this unlisted fund investment was measured using valuation technique with significant unobservable inputs and hence was classified as level 3 of the fair value hierarchy.
- (b) As at 30 June 2024, the unlisted participation note is at a fair value of HK\$1,519,000 (31 December 2023: HK\$1,519,000). No change in fair value has been recognised in the profit or loss (for the six months ended 30 June 2023: Nil). The fair value of this unlisted participation note was measured using valuation technique with significant unobservable inputs and hence was classified as level 3 of the fair value hierarchy.
- (c) The balance represents the redemption derivative component in relation to the convertible bonds (note 17).

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>Notes</i>	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Trade receivables	<i>(a)</i>	7,387	6,888
Lease receivables	<i>(a)</i>	2,121	2,361
		9,508	9,249
Less: Allowance for credit losses		(2,201)	(2,144)
		7,307	7,105
Deposits and other receivables, and prepayments			
— Loan receivable (<i>note 12</i>)		9,464	10,019
— Loan interest receivables		56	146
— Rental deposits and other receivables	<i>(b)</i>	35,127	36,847
— Prepayments		2,908	1,814
		47,555	48,826
		54,862	55,931
Classified as:			
— Non-current	<i>(b)</i>	3,910	3,935
— Current		50,952	51,996
		54,862	55,931

Notes:

- (a) 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.

	30.6.2024	31.12.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 — 30 days	2,496	3,170
31 — 90 days	1,919	1,550
91 — 180 days	1,255	1,209
181 — 365 days	1,221	731
Over 365 days	416	445
	<u>7,307</u>	<u>7,105</u>

All of the Group's trade receivables and lease receivables were past due at the end of both reporting periods. The Groups hold security deposits as collaterals over the lease receivables.

- (b) As at 30 June 2024, the balance included an other receivable with carrying amount of HK\$3,910,000 (31 December 2023: 3,395,000) which is interest bearing at 0.003% per annum. The former balance is repayable by monthly instalments up to November 2032.

15. TRADE AND OTHER PAYABLES

	30.6.2024	31.12.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables (<i>note (a)</i>)	1,217	1,906
Retention payables (<i>note (b)</i>)	25,675	42,281
Other payables, deposits received and accruals		
— Rental and other deposits received	22,000	18,526
— Accrued construction costs	65,810	66,599
— Accrued bonus	227	2,442
— Accrued agency commission	13,332	20,086
— Accrued management fees	271	1,298
— Accrued legal and professional fees	902	2,915
— Interest payables	1,318	2,381
— Received in advance of rental income	12,960	18,705
— Loans from shareholders of an associate (<i>note (c)</i>)	53,360	56,900
— Others	18,890	11,942
	<u>215,962</u>	<u>245,981</u>

Notes:

- (a) No credit terms are granted for all trade payables.

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

	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
0 — 30 days	199	76
31 — 90 days	262	501
91 — 180 days	7	59
181 — 365 days	206	221
Over 365 days	543	1,049
	1,217	1,906

- (b) As at 30 June 2024, retention payables amounting to HK\$25,675,000 (31 December 2023: Nil) was aged within one year while no retention payable (31 December 2023: HK\$42,281,000) was aged more than one year. All retention payables as at 30 June 2024 and 31 December 2023 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.
- (c) During the year ended 31 December 2022, in connection with the shareholders' agreement entered into between a South Korean subsidiary of the Company and another two shareholders of the associate of the Group, the two shareholders agreed to make advances with an aggregate amount of KRW9,440,000,000 (equivalent to HK\$53,360,000 (31 December 2023: HK\$56,900,000)) to the subsidiary as initial funding to acquire a piece of land for the development of a property project in South Korea. The advances were interest-free, unsecured and repayable when the associate obtained a project financing loan.

16. BORROWINGS

	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Borrowing from financial institutions	124,232	183,728
Bank borrowings	1,555,766	1,885,199
	1,679,998	2,068,927
Analysis as:		
— Current portion	1,679,998	2,068,927
Scheduled payment terms of bank borrowings and borrowing from a financial institution contains a repayment on demand clause (shown under current liabilities):		
— Within one year	1,553,507	1,925,116
— In more than one year but not more than two years	106,519	87,340
— In more than two years but not more than five years	936	42,399
— More than five years	8,862	13,349
	1,669,824	2,068,204
Scheduled payment terms of bank borrowings without demand clause:		
— Within one year	10,174	723
	10,174	723

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

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Variable-rate borrowings:		
Within one year	1,499,449	1,837,112
In more than one year but not more than two years	106,519	87,340
In more than two years but not more than five years	936	42,399
More than five years	8,862	13,349
	1,615,766	1,980,200
Fixed-rate borrowings:		
Within one year	64,232	88,727
	1,679,998	2,068,927

The Group's variable-rate borrowings carrying interest at Hong Kong Interbank Offered Rate ("HIBOR"), Hong Kong Prime Lending Rate and three-month certificate of deposit rate in South Korea.

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

	30.6.2024	31.12.2023
	(Unaudited)	(Audited)
Effective interest rates:		
— Fixed-rate borrowings	18%	18%
— Variable-rate borrowings	5.11%-9.50%	4.81%-10.79%

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

	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Properties held for sale		
— Under development for sale, at cost	1,095,994	1,094,801
— Completed, at cost	1,199,124	1,721,871
	2,295,118	2,816,672
Investment properties	725,775	725,775
Pledged bank deposits	10,000	10,000
	3,030,893	3,552,447

Certain credit facilities of the Group are subject to the fulfilment of covenants relating to financial ratios of respective subsidiaries, financial ratios and total tangible net worth of the Group and shareholding of the Company's director, Mr. Joe Chan in the Company of not less than 60%. If the Group breaches the covenants, the drawn down facilities will become repayable on demand.

As at 30 June 2024, the Group has breached a financial ratio of the Group in relation to bank borrowings with aggregate carrying amount of HK\$420,900,000 (31 December 2023: HK\$467,970,000). These bank borrowings are classified as current liabilities and included in bank borrowings schedule for repayment within one year above.

17. CONVERTIBLE BONDS

On 22 October 2020, the Company issued 3% convertible bonds with nominal value of HK\$418,000,000. The convertible bonds are perpetual in term and have no maturity date with a principal amount denominated in HK\$ of HK\$418,000,000 as part of the consideration for the combination of Metropolitan Lifestyle (BVI) Limited and its subsidiaries. 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, 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.

At the end of the reporting period, the fair value of the redemption option was determined by the difference between the fair value of equivalent convertible bonds with redemption option and without redemption option. 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 period and prior 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 2023 (Audited)	10,773	(88,208)	(313,698)	(391,133)
Effective imputed interest expense recognised	—	(6,943)	—	(6,943)
Change in fair value	(8,191)	—	—	(8,191)
As at 31 December 2023 (Audited)	2,582	(95,151)	(313,698)	(406,267)
Effective imputed interest expense recognised	—	(3,545)	—	(3,545)
Repayment of interest	—	40,059	—	40,059
As at 30 June 2024 (Unaudited)	<u>2,582</u>	<u>(58,637)</u>	<u>(313,698)</u>	<u>(369,753)</u>

The fair value measurement of the redemption option derivative component is a Level 3 fair value measurement.

The major inputs for the valuation of the fair value of the redemption option derivative component of the convertible bonds as at 30 June 2024 and 31 December 2023 are as follows:

	30.6.2024 (Unaudited)	31.12.2023 (Audited)
Share price	HK\$0.204	HK\$0.215
Conversion price	HK\$0.5	HK\$0.5
Risk-free rate	3.87%	3.58%
Volatility	<u>50.27%</u>	<u>51.13%</u>

18. SHARE CAPITAL

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

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2023, 31 December 2023 and 30 June 2024	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 30 June 2024	<u>641,498,000</u>	<u>6,415</u>

The new shares rank pari passu with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

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 revenue of the Group for the six months ended 30 June 2024 was approximately HK\$517.9 million, mainly including revenue from sales of completed projects, property investment and wine business of approximately HK\$477.5 million, HK\$21.6 million and HK\$7.3 million, respectively, (for the six months ended 30 June 2023: approximately HK\$160.3 million, mainly including revenue from sales of completed projects, property investment and wine business of approximately HK\$118.6 million, HK\$21.8 million and HK\$8.9 million, respectively), which represented an increase of approximately HK\$357.6 million as compared with the corresponding period of last year. The increase in revenue was mainly contributed by the sales of the complete project — After the Rain which started to sell in the second half of 2023. The loss attributable to owners of the Company for the six months ended 30 June 2024 was approximately HK\$218.5 million (for the six months ended 30 June 2023: loss of approximately HK\$29.7 million). The increase in loss was mainly due to (i) the gross loss from sale of property units of approximately HK\$51.2 million for the six months ended 30 June 2024 as compared to gross profit of approximately HK\$0.9 million for the six months ended 30 June 2023; (ii) write down of properties held for sale of approximately HK\$64.8 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil); and (iii) increase in finance costs (after deducting amount capitalised in cost of qualifying assets) by approximately HK\$75.9 million from approximately HK\$7 million for the for the six months ended 30 June 2023 to approximately HK\$83.4 million for the for the six months ended 30 June 2024. The basic loss per share for the period was approximately HK34.07 cents as compared to loss per share of approximately HK4.64 cents for the corresponding period of last year. The review of the individual business segments of the Group is set out below.

PROPERTY DEVELOPMENT

Revenue recognised in this business segment for the six months ended 30 June 2024 was approximately HK\$477.5 million (for the six months ended 30 June 2023: HK\$118.6 million). As at 30 June 2024, the Group had three completed projects, namely, (a) The Rainbow; (b) The Cloud; and (c) After the Rain; and two projects pending for 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 current property development projects of the Group during the interim period and as at 30 June 2024 are listed below:

Hong Kong Projects:

- (a) **The Rainbow:** During the six months ended 30 June 2024, the sales of completed units and the temporary rental income from properties held for sale recognised was amounted to approximately HK\$21.1 million and HK\$5.0 million, respectively (for the six months ended 30 June 2023: approximately HK\$7.5 million and HK\$6.3 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 has completed in 2022 and revenue recognition has been taken place in the second quarter of 2022. During the six months ended 30 June 2024, there were no sales of units under this project (for the six months ended 30 June 2023: HK\$111.2 million from 40 units).
- (c) **After The Rain:** The Group redeveloped a residential complex located in Yuen Long 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 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 have taken place in the second half of 2023. During the six months ended 30 June 2024, revenue of approximately HK\$456.4 million was recognised from completion and delivery of 73 residential units of the project (for the six months ended 30 June 2023: 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.

Korea, Seoul Projects:

- (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 was completed in second quarter of 2023 and construction work is expected to complete in first quarter of 2026.

PROPERTY INVESTMENT

The Group is engaging in property investment for sale, rental or capital appreciation. Partial of the rental of business is carrying out through provision of serviced apartment; co-working space and storage under the brand of “Metropolitan”.

Revenue recognised in this business segment for the six months ended 30 June 2024 amounted to approximately HK\$21.6 million (for the six months ended 30 June 2023: approximately HK\$21.8 million), representing a slightly decrease of approximately HK\$0.2 million over 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 six months ended 30 June 2024 amounted to approximately HK\$1.7 million (for the six months ended 30 June 2023: approximately HK\$1.7 million).

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 six months ended 30 June 2024 amounted to approximately HK\$19.1 million (for the six months ended 30 June 2023: approximately HK\$19.5 million), which represented a slightly decrease of approximately HK\$0.4 million compared with the corresponding period of last year.

As at 30 June 2024, the total carrying value of the Group’s portfolio of investment properties was amounted to approximately HK\$776.6 million (31 December 2023: approximately HK\$776.6 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong of HK\$725.8 million (31 December 2023: located in Hong Kong of approximately HK\$725.8 million), and right-of-use assets (“**ROU**”) that meet the definition of investment properties of HK\$50.8 million (31 December 2023: HK\$50.8 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 2023: HK\$733.0 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong of HK\$691.8 million (31 December 2023: HK\$691.8 million); and ROU that meet the definition of investment properties of HK\$41.2 million (31 December 2023: HK\$41.2 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 services 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 six months ended 30 June 2024 amounted to approximately HK\$7.1 million (for the six months ended 30 June 2023: approximately HK\$5.9 million). The increase in revenue was due to the property management service fee from After the Rain. 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 corporation clients for its own development commercial and industrial projects. Revenue generated from this business segment for the six months ended 30 June 2024 amounted to approximately HK\$1.5 million (for the six months ended 30 June 2023: HK\$2.0 million), representing a decrease of approximately HK\$0.5 million due to decrease in loan receivable balances. 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 being managed by the Group. Revenue generated from this business segment for the six months ended 30 June 2024 amounted to approximately HK\$3.0 million (for the six months ended 30 June 2023: HK\$3.2 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 costs.

WINE BUSINESS

The Group has 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 through Metropolitan Wine Cellar. Revenue recognised in this business segment for the six months ended 30 June 2024 amounted to approximately HK\$7.3 million (for the six months ended 30 June 2023: approximately HK\$8.9 million), which represented a decrease of approximately HK\$1.6 million compared with the corresponding period of last year. The decrease was due to the drop in revenues from sales of fine wine during the current period.

The total carrying value of the Group's portfolio of investment properties categorized under Wine Business segment was amounted to approximately HK\$43.6 million (31 December 2023: HK\$43.6 million), which comprised a unit in an industrial building located in Hong Kong of HK\$34.0 million (31 December 2023: HK\$34.0 million); and ROU that meet the definition of investment properties of HK\$9.6 million (31 December 2023: HK\$9.6 million).

PROVISION OF MEDIA PRODUCTION SERVICES

The Group operates this business segment through Metropolitan Production by consultancy services including provision of film or advertisement; organization of media events, music concerts and artist management. No revenue was generated from this business segment for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

FUND INVESTMENT AND MANAGEMENT

The total carrying value of the Group's funds investment amounted to approximately HK\$5.2 million (31 December 2023: approximately HK\$5.2 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.

CAPITAL STRUCTURE

There were no movements in the Company's share capital during the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2024 was approximately HK\$1,188.4 million (31 December 2023: approximately HK\$1,414.3 million). As at 30 June 2024, the Group maintained bank balances and cash of approximately HK\$21.1 million (31 December 2023: approximately HK\$46.9 million). The Group's net current assets was approximately HK\$467.2 million (31 December 2023: HK\$730.8 million). The Group had current assets of approximately HK\$2,534.2 million (31 December 2023: approximately HK\$3,157.1 million). The decrease of current assets was mainly due to the sales of property units (which was classified as properties held for sales). The Group had current liabilities of approximately HK\$2,067.0 million (31 December 2023: approximately HK\$2,426.4 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 interim period.

The Group generally finances its operations with internally generated cashflow, convertible bonds and borrowings from banks and financial institutions. As at 30 June 2024, the Group had convertible bonds issued by the Company with liability portion of approximately HK\$58.6 million (31 December 2023: approximately HK\$95.2 million); and outstanding borrowings of approximately HK\$1,680.0 million (31 December 2023: approximately HK\$2,069.0 million). The borrowings as at 30 June 2024 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) decrease from approximately 146.3% as at 31 December 2023 to approximately 141.4% as at 30 June 2024 and decrease from approximately 143.0% as at 31 December 2023 to approximately 139.6% as at 30 June 2024, respectively, due to the repayment of borrowings during the six months ended 30 June 2024.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) was approximately 50.3% and 48.9% as at 31 December 2023 and 30 June 2024, respectively.

The Group's capital commitment as at 30 June 2024 amounted to approximately HK\$13.1 million (31 December 2023: approximately HK\$12.6 million).

The Group has no significant contingent liabilities as at 30 June 2024. 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 financial 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.

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 six months ended 30 June 2024 (for the six months ended 30 June 2023: 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 property developments in South Korea which are denominated in United States dollars and Korean Won. The Group has operations in South Korea and 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.

As at 30 June 2024, offshore borrowings were approximately Korean Won 1.8 billion, which is approximately HK\$10.2 million (31 December 2023: approximately Korean Won 0.1 billion, which is approximately HK\$0.7 million), as working capital loan for the operations in South Korea. The offshore borrowings are expected to be repaid in 2024. The interest rates of these bank borrowings was 5.9% per annum as at 30 June 2024 (31 December 2023: 6.2% per annum).

Apart from these, 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 effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the reporting period. Therefore, the Group does not engage in any hedging activities.

PLEDGE OF ASSETS

As at 30 June 2024, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK\$725.8 million and HK\$2,295.1 million as well as HK\$10.0 million respectively (31 December 2023: approximately HK\$725.8 million and HK\$2,816.7 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 reporting period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

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

Save as 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 30 June 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group employed 124 employees (31 December 2023: 133 employees) and appointed 7 Directors (31 December 2023: 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 education subsidy, 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 on 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 supply and price level of bank borrowings may have significant impact to the cost of our development project; (iii) industry risk which mainly refers to the continuous 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, for example, property cooling measures imposed by the Government from time to time; (v) suppliers risk such as 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 reviewing 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 the first half of 2024, the global economic landscape continues to present challenges, with Hong Kong facing persistent inflationary pressures and elevated interest rates. These factors have contributed to ongoing caution among consumers and businesses, impacting overall sentiment in the market.

Despite the hurdles, the Hong Kong property market shows signs of resilience. The reopening of borders and the continued influx of talent through initiatives like the Top Talent Pass Scheme have invigorated demand. The residential sector, in particular, has benefited from this dynamic, as high-caliber individuals settle in the region, creating a more vibrant rental market.

As of 30 June 2024, our Group has made significant progress in the “After The Rain” project, successfully securing sales for a substantial number of residential units. Our commitment to quality and strategic location in Yuen Long remains a key driver of interest, and we anticipate completing sales of the remaining units in a timely manner, even amid fluctuating market conditions.

Looking ahead, we remain optimistic about the long-term value of properties in Hong Kong. In parallel, to diversify our business, the company will actively seek property and related development opportunities in other parts of Asia, including Japan and Korea. We are committed to adapting to the evolving economic landscape, ensuring we capitalize on emerging opportunities while effectively managing risks.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil). No final dividend was declared for the year ended 31 December 2023 (31 December 2022: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the Model Code as its own code of conduct regarding Directors’ securities transactions. Memorandum was sent to the Directors twice a year to draw their attention to the Model Code. Having made specific enquiries of each of the Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the reporting period and no incident of non-compliance by the Directors was noted by the Company throughout the reporting period.

DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

In accordance with the continuing obligations set out in rule 13.21 of Chapter 13 of the Listing Rules, the following are the details of the loan agreement with covenants relating to specific performance on the controlling shareholders of the Company pursuant to rule 13.18 thereof. There exists no reporting obligation by the Company under rules 13.17 and 13.19 of the Listing Rules accordingly.

- On 27 November 2020, the Company entered into a facility agreement with a bank for the general banking facilities of an revolving loan amount of HK\$30,000,000. Pursuant to the terms of the facility agreement, Mr. Chan Man Fai Joe shall, directly or indirectly, maintain not less than 51% shareholding of the Company. As at the date of the loan agreement, Mr. Chan Man Fai Joe holds approximately 68.69% of the issued share capital of the Company.
- On 6 September 2022, Mark Wealthy Limited (an indirect wholly owned subsidiary of the Company), as the Borrower, entered into a facility agreement with a bank for revolving loan up to an aggregated amount of HK\$40,000,000. Pursuant to the terms of the facility agreement, Mr. Chan Man Fai Joe shall, directly or indirectly, maintain not less than 60% shareholding of the Company. As at the date of the loan agreement, Mr. Chan Man Fai Joe holds approximately 68.69% of the issued share capital of the Company.
- On 9 November 2022, Autumn Creek (H.K.) Limited (an indirect wholly owned subsidiary of the Company) as the Borrower, entered into a facility agreement with a bank (the “**Bank**”) for revolving loan up to an aggregated amount of HK\$125,000,000. Pursuant to the terms of the facility agreement, Mr. Chan Man Fai Joe shall, directly or indirectly, maintain not less than 60% shareholding of the Company. As at the date of the loan agreement, Mr. Chan Man Fai Joe holds approximately 68.69% of the issued share capital of the Company.
- On 1 November 2023, Sincere Gold Properties Limited (as indirect wholly owned subsidiary of the Company) as the Borrower, entered into a facility agreement with a bank (the “**Bank**”) for loan for twelve months from the date of drawdown up to an aggregated amount of HK\$350,000,000. Pursuant to the terms of the facility agreement, Mr. Chan Man Fai Joe Shall, directly or indirectly, maintain not less than 50% shareholding of the Company. As at the date of the loan agreement, Mr. Chan Man Fai Joe holds approximately 68.69% of issued share capital of the Company.
- On 11 December 2023, Sincere Gold Properties Limited (as indirect wholly owned subsidiary of the Company) as the Borrower, entered into a facility agreement with a bank (the “**Bank**”) for loan up to an aggregated amount of HK\$205,000,000 and the life of the facility is twelve months from the date of drawdown and it shall be subject to review by the Bank on 30 June 2024. Pursuant to the terms of the facility agreement, Mr. Chan Man Fai Joe shall, directly or indirectly, maintain not less than 60% shareholding of the Company. As at the date of the loan agreement, Mr. Chan Man Fai Joe holds approximately 68.69% of issued share capital of the Company.

As at 30 June 2024, the aggregate interest in the shares in the Company held by Mr. Chan Man Fai Joe, direct and indirect, is 440,710,800 shares, representing approximately 68.70% of the shares of the Company in issued.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the reporting period.

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 be in different individuals, throughout the reporting period.

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 the business history of the Company, 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 the senior management of the Group.

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 the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the shareholders of the Company as a whole.

AUDIT COMMITTEE

The Company has an audit committee of the Company (the “**Audit Committee**”) which was established in compliance with Rule 3.21 of the Listing Rules. The Audit Committee has adopted the terms of reference which are in line with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Chan Wah Man Carman, Mr. Lee Chung Ming Eric and Dr. Wong Wai Kong, with Ms. Chan Wah Man Carman being the chairlady of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated interim results and the interim report of the Company for the six months ended 30 June 2024 and agreed to the accounting principles and practices adopted by the Company.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement and an interim report containing the information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.stargroupasia.com) in due course.

For and on behalf of the Board
Star Group Asia Limited
Chan Man Fai Joe
Chairman

Hong Kong, 29 August 2024

As at the date of this announcement, the Board consists of 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.