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Star Properties Group (Cayman Islands) Limited
星星地產集團(開曼群島)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1560)

ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue and profit for the year ended 31 December 2020 approximately HK\$105.8 million (2019 (restated): approximately HK\$174.4 million) and approximately HK\$302.8 million (2019 (restated): approximately HK\$22.0 million) respectively.
- The basic and diluted earnings per share for the year ended 31 December 2020 was approximately HK47.85 cents and HK37.73 cents, respectively, as compared to the restated basic earnings per share of approximately HK3.71 cents and HK3.71 cents, respectively, for the corresponding period last year.

The board of directors (the “**Director(s)**”) (the “**Board**”) of Star Properties Group (Cayman Islands) Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Revenue	4	105,782	174,440
Cost of sales and services		(34,849)	(67,736)
Gross profit		70,933	106,704
Other income		24,156	9,092
(Loss)/gain on change in fair value of investment properties, net		(70,370)	18,186
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss, net		5,219	(1,027)
Gain on disposal of a subsidiary	16	383,197	—
Selling expenses		(6,731)	(8,572)
Administrative expenses		(72,365)	(52,313)
Finance costs	6	(24,247)	(39,281)
Profit before tax	7	309,792	32,789
Income tax expense	8	(7,003)	(10,755)
Profit for the year		302,789	22,034
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		9,812	(5,941)
Total comprehensive income for the year		312,601	16,093
Profit for the year attributable to:			
Owners of the Company		306,936	23,662
Non-controlling interests		(4,147)	(1,628)
		302,789	22,034

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Total comprehensive income for the year			
attributable to:			
Owners of the Company		316,578	17,813
Non-controlling interests		(3,977)	(1,720)
		<u>312,601</u>	<u>16,093</u>
Earnings per share (in HK cents)			
	9		
Basic		<u>47.85</u>	<u>3.71</u>
Diluted		<u>37.73</u>	<u>3.71</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

		31 December 2020	31 December 2019	1 January 2019
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		6,000	8,146	7,825
Investment properties		1,050,712	1,105,381	978,521
Deferred tax assets		—	1,085	635
Prepayments for acquisitions of investment properties		—	—	20,368
Loan receivables	<i>11</i>	128,591	164,766	199,260
Financial assets at fair value through profit or loss		6,108	6,119	6,412
		1,191,411	1,285,497	1,213,021
CURRENT ASSETS				
Inventories		9,094	9,319	7,446
Properties held for sale		2,733,814	3,153,060	2,906,848
Trade and other receivables	<i>12</i>	48,926	52,713	44,923
Contract costs		—	—	301
Financial assets at fair value through profit or loss		35,590	460	204
Amounts due from related companies		14,713	—	—
Stakeholder's accounts		34,222	6,066	38,877
Pledged bank deposits		10,381	10,257	10,115
Bank balances and cash		55,457	87,759	136,493
		2,942,197	3,319,634	3,145,207
CURRENT LIABILITIES				
Trade and other payables	<i>13</i>	120,234	125,790	105,525
Contract liabilities		34,033	5,949	4,543
Amount due to a director		52,673	39,000	—
Amount due to an equity owner		—	196,346	176,846
Amounts due to related companies		13,821	—	—
Lease liabilities		13,229	13,786	12,737
Tax liabilities		2,591	56,918	73,928
Borrowings	<i>14</i>	2,320,491	3,120,233	2,853,633
		2,557,072	3,558,022	3,227,212
NET CURRENT ASSETS/(LIABILITIES)		385,125	(238,388)	(82,005)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,576,536	1,047,109	1,131,016

		31 December	31 December	1 January
		2020	2019	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
NON-CURRENT LIABILITIES				
Lease liabilities		31,550	42,157	55,943
Convertible bonds — liability component	<i>15</i>	75,800	—	—
Deferred tax liabilities		55,506	53,096	48,897
		<u>162,856</u>	<u>95,253</u>	<u>104,840</u>
NET ASSETS		<u>1,413,680</u>	<u>951,856</u>	<u>1,026,176</u>
CAPITAL AND RESERVES				
Share capital		6,415	6,415	6,272
Reserves		1,416,326	947,464	1,021,933
		<u>1,422,741</u>	<u>953,879</u>	<u>1,028,205</u>
Equity attributable to owners of the Company		1,422,741	953,879	1,028,205
Non-controlling interests		(9,061)	(2,023)	(2,029)
		<u>1,413,680</u>	<u>951,856</u>	<u>1,026,176</u>
TOTAL EQUITY		<u>1,413,680</u>	<u>951,856</u>	<u>1,026,176</u>

NOTES

1. GENERAL

Star Properties Group (Cayman Islands) 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. With effect from 16 December 2020, the address of its registered office of the Company was changed from Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands to Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is 11/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. Subsequent to the completion of business combination under common control as further explained in note 2, 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, construction and fitting out works, provision of finance, trading of fine wine and provision of media production services.

2. COMMON CONTROL COMBINATION DURING THE YEAR

On 21 July 2020, the Company and Metropolitan Lifestyle (BVI) Limited (the “**Vendor**”) entered into a sale and purchase agreement (the “**Acquisition Agreement**”) for the purchase of (i) the entire issued share capital of Metropolitan Group (BVI) Limited (“**Metropolitan**”) (the “**Sale Share**”); and (ii) all obligation, liabilities and debts owing or incurred by Metropolitan and its subsidiaries (collectively “**Metropolitan Group**”) to the Vendor on or at any time prior to the completion date of the acquisition (the “**Sale Loan**”) at an aggregate nominal consideration of HK\$460,000,000 (the “**Acquisition**”). The consideration is to be satisfied by cash of HK\$42,000,000 and issuance of convertible bonds by the Company with principal amount of HK\$418,000,000. The Acquisition was completed on 22 October 2020 (the “**Completion**”). Metropolitan Group is principally engaged in trading of fine wine, property investment and provision of media production services. Further details about the Acquisition were disclosed in the circular of the Company dated 14 September 2020.

As the Company and Metropolitan are ultimately controlled by Mr. Joe Chan, the Acquisition is a business combination under common control. The Acquisition is accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations (“**AG 5**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as if the Acquisition had occurred on the date when the combining entities, i.e. the Company and Metropolitan first come under the control of Mr. Joe Chan. By applying the merger accounting, the assets and liabilities of the combining entities are combined using their existing book values from Mr. Joe Chan’s perspective.

In applying AG 5 to the Acquisition as described above, the consolidated statement of financial position of the Group as at 1 January 2019 and 31 December 2019 have been restated to include the assets and liabilities of Metropolitan Group if they were within the Group on these respective dates. The consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2019 have also been restated to include the financial performance, changes in equity and cash flows of Metropolitan Group as if they were within the Group since 1 January 2019.

The following are reconciliations of the effects arising from the accounting of common control combination in accordance with AG 5 on the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2019 and the consolidated statements of financial position as at 1 January 2019 and 31 December 2019.

Effect of the Acquisition on the consolidated statement of financial position as at 1 January 2019:

	The Group as previously reported <i>HK\$'000</i>	Business combination of entities under common control <i>HK\$'000</i>	The Group as restated <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	475	7,350	7,825
Investment properties	13,470	965,051	978,521
Deferred tax assets	—	635	635
Prepayments for acquisition of investment properties	—	20,368	20,368
Loan receivables	199,260	—	199,260
Financial assets at fair value through profit or loss	6,412	—	6,412
	<u>219,617</u>	<u>993,404</u>	<u>1,213,021</u>
CURRENT ASSETS			
Inventories	—	7,446	7,446
Properties held for sale	2,906,848	—	2,906,848
Trade and other receivables	25,959	18,964	44,923
Contract costs	301	—	301
Financial assets at fair value through profit or loss	204	—	204
Stakeholder's accounts	38,877	—	38,877
Pledged bank deposits	10,115	—	10,115
Bank balances and cash	121,369	15,124	136,493
	<u>3,103,673</u>	<u>41,534</u>	<u>3,145,207</u>

	The Group as previously reported HK\$'000	Business combination of entities under common control HK\$'000	The Group as restated HK\$'000
CURRENT LIABILITIES			
Trade and other payables	91,430	14,095	105,525
Contract liabilities	692	3,851	4,543
Amount due to an equity owner	—	176,846	176,846
Lease liabilities	—	12,737	12,737
Tax liabilities	73,813	115	73,928
Borrowings	2,364,437	489,196	2,853,633
	<u>2,530,372</u>	<u>696,840</u>	<u>3,227,212</u>
NET CURRENT ASSETS/ (LIABILITIES)	<u>573,301</u>	<u>(655,306)</u>	<u>(82,005)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>792,918</u>	<u>338,098</u>	<u>1,131,016</u>
NON-CURRENT LIABILITIES			
Lease liabilities	—	55,943	55,943
Deferred tax liabilities	305	48,592	48,897
	<u>305</u>	<u>104,535</u>	<u>104,840</u>
NET ASSETS	<u><u>792,613</u></u>	<u><u>233,563</u></u>	<u><u>1,026,176</u></u>

	The Group as previously reported <i>HK\$'000</i>	Business combination of entities under common control <i>HK\$'000</i>	The Group as restated <i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital	6,272	—	6,272
Share premium	218,425	—	218,425
Share options reserve	16,755	—	16,755
Translation reserve	(223)	(3,867)	(4,090)
Shareholders' contribution	190,000	—	190,000
Merger reserve	—	20	20
Retained earnings	359,630	241,193	600,823
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Equity attributable to owners of the Company	790,859	237,346	1,028,205
Non-controlling interests	1,754	(3,783)	(2,029)
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TOTAL EQUITY	792,613	233,563	1,026,176
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Effect of the Acquisition on the consolidated statement of financial position as at 31 December 2019:

	The Group as previously reported HK\$'000	Business combination of entities under common control HK\$'000	The Group as restated HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	2,151	5,995	8,146
Investment properties	52,000	1,053,381	1,105,381
Deferred tax assets	—	1,085	1,085
Loan receivables	164,766	—	164,766
Financial assets at fair value through profit or loss	6,119	—	6,119
	<u>225,036</u>	<u>1,060,461</u>	<u>1,285,497</u>
CURRENT ASSETS			
Inventories	—	9,319	9,319
Properties held for sale	3,153,060	—	3,153,060
Trade and other receivables	32,608	20,105	52,713
Financial assets at fair value through profit or loss	460	—	460
Stakeholder's accounts	6,066	—	6,066
Pledged bank deposits	10,257	—	10,257
Bank balances and cash	62,276	25,483	87,759
	<u>3,264,727</u>	<u>54,907</u>	<u>3,319,634</u>
CURRENT LIABILITIES			
Trade and other payables	104,253	21,537	125,790
Contract liabilities	293	5,656	5,949
Amount due to a director	39,000	—	39,000
Amount due to an equity owner	—	196,346	196,346
Lease liabilities	—	13,786	13,786
Tax liabilities	56,737	181	56,918
Borrowings	2,580,184	540,049	3,120,233
	<u>2,780,467</u>	<u>777,555</u>	<u>3,558,022</u>
NET CURRENT ASSETS/ (LIABILITIES)	<u>484,260</u>	<u>(722,648)</u>	<u>(238,388)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>709,296</u>	<u>337,813</u>	<u>1,047,109</u>
NON-CURRENT LIABILITIES			
Lease liabilities	—	42,157	42,157
Deferred tax liabilities	177	52,919	53,096
	<u>177</u>	<u>95,076</u>	<u>95,253</u>
NET ASSETS	<u><u>709,119</u></u>	<u><u>242,737</u></u>	<u><u>951,856</u></u>

	The Group as previously reported <i>HK\$'000</i>	Business combination of entities under common control <i>HK\$'000</i>	The Group as restated <i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital	6,415	—	6,415
Share premium	233,457	—	233,457
Share options reserve	11,968	—	11,968
Translation reserve	(1,940)	(7,999)	(9,939)
Shareholders' contribution	190,000	—	190,000
Merger reserve	—	20	20
Retained earnings	266,257	255,701	521,958
	<hr/>	<hr/>	<hr/>
Equity attributable to owners of the Company	706,157	247,722	953,879
Non-controlling interests	2,962	(4,985)	(2,023)
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TOTAL EQUITY	709,119	242,737	951,856
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Effect of the Acquisition on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019:

	The Group as previously reported HK\$'000	Business combination of entities under common control HK\$'000	The Group as restated HK\$'000
Revenue	119,979	54,461	174,440
Cost of sales and services	<u>(50,843)</u>	<u>(16,893)</u>	<u>(67,736)</u>
Gross profit	69,136	37,568	106,704
Other income	8,315	777	9,092
(Loss)/gain on change in fair value of investment properties	(2,597)	20,783	18,186
Loss on change in fair value of financial assets at fair value through profit or loss	(1,027)	—	(1,027)
Selling expenses	(6,970)	(1,602)	(8,572)
Administrative expenses	(35,372)	(16,941)	(52,313)
Finance costs	<u>(19,244)</u>	<u>(20,037)</u>	<u>(39,281)</u>
Profit before tax	12,241	20,548	32,789
Income tax expense	<u>(6,944)</u>	<u>(3,811)</u>	<u>(10,755)</u>
Profit for the year	<u>5,297</u>	<u>16,737</u>	<u>22,034</u>
Other comprehensive income <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	<u>(1,808)</u>	<u>(4,133)</u>	<u>(5,941)</u>
Total comprehensive income for the year	<u><u>3,489</u></u>	<u><u>12,604</u></u>	<u><u>16,093</u></u>
Profit for the year attributable to:			
Owners of the Company	5,724	17,938	23,662
Non-controlling interests	<u>(427)</u>	<u>(1,201)</u>	<u>(1,628)</u>
	<u><u>5,297</u></u>	<u><u>16,737</u></u>	<u><u>22,034</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company	4,007	13,806	17,813
Non-controlling interests	<u>(518)</u>	<u>(1,202)</u>	<u>(1,720)</u>
	<u><u>3,489</u></u>	<u><u>12,604</u></u>	<u><u>16,093</u></u>
Earnings per share (in HK cents)			
— Basic	<u><u>0.90</u></u>	<u><u>2.81</u></u>	<u><u>3.71</u></u>
— Diluted	<u><u>0.90</u></u>	<u><u>2.81</u></u>	<u><u>3.71</u></u>

Effect of the Acquisition on the consolidated statement of cash flows for the year ended 31 December 2019:

	The Group as previously reported HK\$'000	Business combination of entities under common control HK\$'000	The Group as restated HK\$'000
Cash flows from operating activities			
Profit before tax	12,241	20,548	32,789
Adjustments for:			
Depreciation of property, plant and equipment	358	657	1,015
Depreciation of right-of-use assets	455	1,311	1,766
Finance costs	19,244	20,037	39,281
Gain on disposal of plant and equipment	(4)	(156)	(160)
Loss on change in fair value of financial assets at fair value through profit or loss	1,027	—	1,027
Impairment loss recognised on trade receivables	—	372	372
Loss/(gain) on change in fair value of investment properties	2,597	(20,783)	(18,186)
Interest income earned on bank balances	(434)	—	(434)
Unrealised exchange differences	—	(4,369)	(4,369)
Operating cash flows before movements in working capital	35,484	17,617	53,101
Increase in inventories	—	(1,873)	(1,873)
Decrease in loan receivables	30,215	—	30,215
Increase in trade and other receivables	(2,370)	(1,513)	(3,883)
Decrease in contract costs	301	—	301
Increase in properties held for sale	(171,434)	—	(171,434)
Decrease in stakeholder's accounts	32,811	—	32,811
Increase in trade and other payables	8,453	7,442	15,895
(Decrease)/increase in contract liabilities	(399)	1,805	1,406
Cash (used in)/generated from operations	(66,939)	23,478	(43,461)
Income tax paid	(24,148)	—	(24,148)
Net cash (used in)/generated from operating activities	(91,087)	23,478	(67,609)

	The Group as previously reported <i>HK\$'000</i>	Business combination of entities under common control <i>HK\$'000</i>	The Group as restated <i>HK\$'000</i>
Cash flows from investing activities			
Purchase of investment properties	—	(47,179)	(47,179)
Purchase of property, plant and equipment	(680)	(777)	(1,457)
Proceeds from disposal of property, plant and equipment	17	320	337
Cash outflow from acquisition of a subsidiary	(49,380)	—	(49,380)
Proceeds from disposal of investment properties	8,253	—	8,253
Purchase of financial assets at fair value through profit or loss	(1,014)	—	(1,014)
Proceeds from refund of financial assets at fair value through profit or loss	24	—	24
Placement of pledged bank deposits	(142)	—	(142)
Interest received from bank	434	—	434
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(42,488)	(47,636)	(90,124)

Effect of the Acquisition on the consolidated statement of cash flows for the year ended 31 December 2019: (Continued)

	The Group as previously reported HK\$'000	Business combination of entities under common control HK\$'000	The Group as restated HK\$'000
Cash flows from financing activities			
Borrowings raised	675,968	323,331	999,299
Repayments of borrowings	(456,111)	(272,478)	(728,589)
Repayments of lease liabilities	(1,822)	(16,945)	(18,767)
Increase in amount due to a director	39,000	—	39,000
Increase in amount due to an equity owner	—	19,500	19,500
Capital contribution from non-controlling interests	1,726	—	1,726
Proceeds from issue of shares	10,723	—	10,723
Interest paid	(95,200)	(15,820)	(111,020)
Dividends paid	(99,432)	(3,430)	(102,862)
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Net cash generated from financing activities	74,852	34,158	109,010
	<hr/>	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(58,723)	10,000	(48,723)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	121,369	15,124	136,493
	<hr/>	<hr/>	<hr/>
Effect of foreign exchange rate changes	(370)	359	(11)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of year	62,276	25,483	87,759
represented by bank balances and cash	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

(i) Adoption of new or amended 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 HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

Except for the amendments to HKFRS 16, the Group has not applied any new or amended HKFRS that is not yet effective for the current year.

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

Amendments to HKFRS 16 — COVID-19 Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendments.

4. REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Revenue from contracts with customers		
Sales of properties	38,489	109,820
Provision of property management and security services	3,456	2,613
Construction and fitting out works	3,115	—
Trading of fine wine	8,463	8,386
Service income from media production services	1,353	1,342
	<u>54,876</u>	<u>122,161</u>
Revenue from other sources		
Rental income from leasing of:		
— investment properties	3,190	1,226
— service apartments	3,069	4,945
— storage and workshop	32,446	33,098
— wine cellar	6,104	5,978
Interest income from provision of finance	6,097	7,032
	<u>50,906</u>	<u>52,279</u>
Total revenue	<u>105,782</u>	<u>174,440</u>

5. 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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Property development	38,489	109,820	408,015	27,075
Property investment	38,705	39,269	(69,369)	17,492
Provision of property management services	3,456	2,613	(232)	1,735
Construction and fitting out works	3,115	—	273	—
Provision of finance	6,097	7,032	3,626	1,935
Wine business	14,567	14,364	163	1,095
Media production services	1,353	1,342	(838)	122
	105,782	174,440	341,638	49,454
Unallocated income			7,302	339
Unallocated expenses			(36,249)	(14,854)
Finance costs			(2,899)	(2,150)
Profit before tax			309,792	32,789

Segment results represent the profit earned/(loss incurred) by each segment without allocation of certain other income, certain administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment Assets and Liabilities

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Segment assets		
Property development	2,822,413	3,226,249
Property investment	1,076,173	1,101,367
Provision of property management services	63	1,066
Construction and fitting out works	1,619	—
Provision of finance	152,359	188,078
Wine business	58,328	64,458
Media production services	759	1,677
	<hr/>	<hr/>
Total segment assets	4,111,714	4,582,895
Unallocated assets	21,894	22,236
	<hr/>	<hr/>
Consolidated total assets	4,133,608	4,605,131
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Property development	1,851,834	2,622,199
Property investment	615,212	788,767
Provision of property management services	3	281
Construction and fitting out works	5,454	—
Provision of finance	18,783	86,698
Wine business	65,401	82,216
Media production services	821	1,651
	<hr/>	<hr/>
Total segment liabilities	2,557,508	3,581,812
Unallocated liabilities	162,420	71,463
	<hr/>	<hr/>
Consolidated total liabilities	2,719,928	3,653,275
	<hr/> <hr/>	<hr/> <hr/>

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

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss (“FVTPL”), 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, liability component of convertible bonds and other corporate liabilities not attributable to the reportable segments.

Other Segment Information

For the year ended 31 December 2020

	Property development	Property investment	Provision of property management services	Construction and fitting out works	Provision of finance	Wine business	Media production services	Segment total	Unallocated	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Amounts included in the measure of segment results or segment assets:										
Addition to non-current assets	—	15,434	—	150	—	212	97	15,893	—	15,893
Depreciation of plant and equipment	—	618	—	116	10	130	59	933	—	933
Depreciation of right-of-use assets	606	—	—	—	—	1,310	—	1,916	—	1,916
(Reversal of impairment loss)/impairment loss recognised on trade receivables	—	(525)	1,129	—	—	—	—	604	—	604
Loss on change in fair value of investment properties	—	69,838	—	—	—	532	—	70,370	—	70,370
Interest expense	7,790	10,793	—	—	1,480	1,285	—	21,348	2,899	24,247
Gain on change in fair value of financial assets at FVTPL	—	—	—	—	—	—	—	—	(5,219)	(5,219)
Amounts regularly provided to the CODM but not included in the measure of segment results:										
Interest income earned on bank balances	(509)	(32)	—	—	—	—	—	(541)	(124)	(665)

For the year ended 31 December 2019

	Property development <i>HK\$ '000</i>	Property investment <i>HK\$ '000</i> (Restated)	Provision of property management services <i>HK\$ '000</i>	Provision of finance <i>HK\$ '000</i>	Wine business <i>HK\$ '000</i> (Restated)	Media production services <i>HK\$ '000</i> (Restated)	Segment total <i>HK\$ '000</i> (Restated)	Unallocated <i>HK\$ '000</i> (Restated)	Total <i>HK\$ '000</i> (Restated)
Amounts included in the measure of segment results or segment assets:									
Addition to non-current assets	2,082	116,374	—	—	1,230	100	119,786	420	120,206
Depreciation of plant and equipment	—	448	—	10	422	101	981	34	1,015
Depreciation of right-of-use assets	455	1,311	—	—	—	—	1,766	—	1,766
Impairment loss recognised on trade receivables	—	372	—	—	—	—	372	—	372
Gain on fair value of investment properties	—	(16,610)	—	—	(1,576)	—	(18,186)	—	(18,186)
Gain on disposal of property, plant and equipment	—	—	—	—	—	(156)	(156)	(4)	(160)
Interest expense	12,282	18,081	—	4,812	1,956	—	37,131	2,150	39,281
Loss on change in fair value of financial assets at FVTPL	—	—	—	—	—	—	—	1,027	1,027
Amounts regularly provided to the CODM but not included in the measure of segment results:									
Interest income earned on bank balances	(181)	(65)	—	(1)	—	—	(247)	(187)	(434)

Geographical Information

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

The Group's revenue is all derived from operations in Hong Kong. No revenue is derived from Korea in both years.

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

	2020 <i>HK\$ '000</i>	2019 <i>HK\$ '000</i> (Restated)
Hong Kong	979,472	1,051,030
Korea	77,240	62,497
	<u>1,056,712</u>	<u>1,113,527</u>

Information about Major Customers

For the year ended 31 December 2020, there are two (2019: seven) customers with transactions have exceeded 10% of the Group's revenue. These transactions are all related to sales of properties. Revenue from customers of the current year contributing over 10% of the total sales of the Group are as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	—	17,309
Customer B	—	13,421
Customer C	—	13,338
Customer D	—	12,251
Customer E	—	12,225
Customer F	—	11,626
Customer G	—	11,500
Customer H	12,452	N/A
Customer I	12,359	N/A
	<u>12,359</u>	<u>N/A</u>

6. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000 (Restated)
Interests on:		
Borrowings	82,857	114,902
Advance from a director	1,121	497
Interest on lease liabilities	3,351	4,208
Imputed interest on convertible bonds	1,128	—
	<u>88,457</u>	<u>119,607</u>
Total borrowing costs	88,457	119,607
Less: amount capitalised in cost of qualifying assets	(64,210)	(80,326)
	<u>24,247</u>	<u>39,281</u>

Borrowing costs capitalised at rate ranging from 2.33% to 5.0% (2019: 2.70% to 5.48%) per annum during the year arose on the specific and general borrowings for the expenditure on each property development.

7. PROFIT BEFORE TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Profit before tax has been arrived at after charging /(crediting):		
Directors' emoluments	14,698	9,218
Other staff costs, excluding directors' emoluments:		
Salaries and other allowances	13,977	10,427
Retirement benefit scheme contributions	637	330
	<hr/>	<hr/>
Total staff costs	29,312	19,975
Less: capitalised in properties held for sale	(3,679)	(3,624)
	<hr/>	<hr/>
	25,633	16,351
	<hr/>	<hr/>
Auditor's remuneration		
— Audit services	1,448	1,077
— Non-audit services	—	430
Cost of inventories recognised as an expense	24,776	58,011
Depreciation of property, plant and equipment	933	1,015
Depreciation of right-of-use assets	1,916	1,766
Direct operation expenses incurred for provision of services and properties leasing (included in cost of sales and services)	10,073	9,725
Impairment loss recognised on trade receivables	604	372
Property agency commission (included in selling expenses)	3,148	5,963
Gain on disposal of property, plant and equipment	—	(160)
Gross rental income from investment properties	(44,809)	(45,247)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	2,975	3,557
	<hr/>	<hr/>
	(41,834)	(41,690)
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Hong Kong Profits Tax:		
— Current tax	1,704	7,006
— Underprovision in prior years	1,804	—
Deferred taxation	3,495	3,749
	<u>7,003</u>	<u>10,755</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. 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 11% to 24.2% on the estimated assessable profit of eligible entities derived worldwide. No provision on Korean Corporate Income Tax rates has been provided as there is no estimated assessable profits during both years.

9. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Earnings		
Profit for the year attributable to owners of the Company		
for the purpose of basic earnings per share	306,936	23,662
Effect of dilutive potential ordinary shares:		
— Fair value change on redemption derivative component	(4,821)	—
— Interest on convertible bonds (net of tax)	1,128	—
	<hr/>	<hr/>
Profit for the purpose of diluted earnings per share	303,243	23,662
	<hr/> '000	<hr/> '000
Number of share		
Weighted average number of ordinary shares		
for the purpose of basic earnings per share	641,498	638,501
	<hr/>	<hr/>
Effect of dilutive potential ordinary shares:		
— Outstanding share options issued by the Company (<i>Note</i>)	—	—
— Convertible bonds	162,175	—
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose		
of diluted earnings per share	803,673	638,501
	<hr/> '000	<hr/> '000

Note:

The computation of diluted earnings per share during the years ended 31 December 2020 and 2019 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 2020 and 2019.

10. DIVIDEND

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 Interim – HK2.0 cents (2019: 2019 interim – Nil) per share	12,830	—
2019 Final – HK0.2 cents (2019: 2018 final dividend of HK15.5 cents) per share	1,283	99,432
	<u>14,113</u>	<u>99,432</u>

The board of directors of the Company does not recommend the payment of final dividend for the year ended 31 December 2020.

During the year ended 31 December 2019, Metropolitan Group made a dividend payment of HK\$3,430,000 to the equity owner.

11. LOAN RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Variable-rate loan receivables (<i>Note</i>)	<u>151,998</u>	<u>187,665</u>
Analysis as:		
— Non-current portion	128,591	164,766
— Current portion (<i>note 12</i>)	23,407	22,899
Total	<u>151,998</u>	<u>187,665</u>

Note:

As at 31 December 2020, the balance included:

- (i) loan receivable amounting to HK\$87,000 (2019: HK\$186,000), which is secured by the property unit of a borrower, interest bearing at Hong Kong prime rate quoted by the lending bank plus 2% per annum. The principal amount started to be repaid in November 2016 in accordance with the repayment schedules;
- (ii) loan receivables amounting to HK\$10,027,000 (2019: HK\$7,350,000), which are secured by the property units of a borrower, interest bearing at Hong Kong prime rate quoted by the lending bank. The principal amounts will be fully repaid at the respective maturity dates;
- (iii) loan receivables amounting to HK\$129,689,000 (2019: HK\$170,334,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong prime rate quoted by the lending bank minus 1.75% per annum. The principal amounts will be fully repaid at the respective maturity dates; and
- (iv) loan receivable amounting to HK\$9,795,000 (2019: HK\$9,795,000), which is secured by the property unit of a borrower and interest bearing at Hong Kong prime rate quoted by the lending bank minus 2% per annum. The principal amount started to be repaid in September 2019 in accordance with the repayment schedules.
- (v) loan receivable amounting to HK\$2,400,000 (2019: Nil), which is secured by the property unit of a borrower and interest bearing at Hong Kong prime rate quoted by the lending bank plus 1.75% per annum. The principal amount started to be repaid in May 2021 in accordance with the repayment schedules.

Loans are provided to borrowers at a range of 60% to 80% (2019: 60% to 80%) of sale consideration of the pledged property units. The directors of the Company consider that the fair values of the collaterals are higher than the carrying amount of loan receivables as at 31 December 2020 and 2019.

As at 31 December 2020 and 2019, all the loan receivables are neither past due nor impaired.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Variable-rate loan receivables		
Within one year	23,407	22,899
In more than one year but not more than two years	18,526	21,597
In more than two years but not more than five years	52,171	57,500
More than five years	57,894	85,669
	151,998	187,665

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

	2020	2019
Effective interest rate:		
— Variable-rate loan receivables	3.25% to 7.125%	3.5% to 7.125%

Before accepting any new borrower, the Group management would assess the potential borrower's credit quality and define credit limits by borrower. Certain well established credit policies (i.e. reviewing property buyers' individual credit report) are used in assessing the credit quality, which mainly include understanding the background of the potential borrower and obtaining collaterals from the borrower. Loan interest rates are provided to potential borrowers on a case-by-case basis depending on the credit quality assessment and collaterals provided by the respective customers.

12. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Trade receivables from contracts with customers	2,126	1,198
Lease receivables	2,727	4,349
	<u>4,853</u>	<u>5,547</u>
Less: Allowance for credit losses	(1,166)	(562)
	<u>3,687</u>	<u>4,985</u>
Deposits and other receivables, and prepayments		
— Loan receivables (<i>note 11</i>)	23,407	22,899
— Loan interest receivables	242	300
— Rental deposits and other receivables	13,439	22,878
— Prepayments	8,151	1,651
	<u>45,239</u>	<u>47,728</u>
	<u><u>48,926</u></u>	<u><u>52,713</u></u>

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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
0-30 days	1,941	3,803
31-90 days	1,254	511
91-180 days	408	320
181-365 days	50	92
Over 365 days	34	259
	<u>3,687</u>	<u>4,985</u>

The following table reconciles the impairment loss of trade receivables arising from contracts with customers and lease receivables for the year:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
At 1 January	562	190
Impairment loss recognised during the year	604	372
	<u>1,166</u>	<u>562</u>

13. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Retention payables (<i>Note</i>)	11,363	17,721
Trade payables	—	650
Other payables, deposits received and accruals		
— Rental deposits received	16,293	12,824
— Accrued construction costs	46,103	53,157
— Accrued bonus	—	4,096
— Accrued agency commission	1,918	1,435
— Accrued management fees	1,407	2,002
— Accrued legal and professional fees	12,814	8,515
— Interest payables	6,493	6,659
— Receipt in advance of rental income	10,566	3,270
— Others	13,277	15,461
	120,234	125,790

Note:

As at 31 December 2020, retention payables amounting to HK\$10,850,000 (2019: HK\$7,366,000) is aged within one year while the remaining amount of HK\$513,000 (2019: HK\$10,355,000) is aged one to two years. All retention payables as at 31 December 2020 and 2019 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

Average credit period granted to the Group is 60 to 90 days (2019: 60 to 90 days (Restated)). Aging analysis of trade payables based on the invoice date (or date of cost recognition, if earlier) as the respective period ends is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
0-30 days	—	102
31-60 days	—	—
61-90 days	—	—
91-120 days	—	—
More than 120 days	—	548
	<hr/>	<hr/>
	—	650
	<hr/> <hr/>	<hr/> <hr/>

14. BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Bank borrowings	2,320,491	3,120,233
	<hr/> <hr/>	<hr/> <hr/>
Scheduled payment terms of borrowings contain a repayment on demand clause (shown under current liabilities):		
— Within one year	1,467,681	2,387,051
— In more than one year but not more than two years	573,616	202,062
— In more than two years but not more than five years	200,708	442,669
— More than five years	78,486	88,451
	<hr/>	<hr/>
Total	2,320,491	3,120,233
	<hr/> <hr/>	<hr/> <hr/>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Variable-rate borrowings:		
Within one year	1,311,886	2,188,795
In more than one year but not more than two years	573,616	202,062
In more than two years but not more than five years	200,708	442,669
More than five years	78,486	88,451
	<u>2,164,696</u>	<u>2,921,977</u>
Fixed-rate borrowings:		
Within one year	<u>155,795</u>	<u>198,256</u>
	<u>2,320,491</u>	<u>3,120,233</u>

The Group's variable-rate borrowings carry interest at Hong Kong Interbank Offered Rate ("HIBOR") and Hong Kong Prime Lending rate.

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

	2020	2019 (Restated)
Effective interest rates:		
— Fixed-rate borrowings	3.5% – 5%	3.5%
— Variable-rate borrowings	<u>1.53% – 3.65%</u>	<u>2.25% – 4.6%</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Properties held for sale		
— Under development for sales	2,284,740	2,684,971
— Completed	449,074	468,089
	2,733,814	3,153,060
Investment properties		
— Carpark spaces	—	5,000
— Properties	941,903	909,285
	941,903	914,285
Pledged bank deposits	10,381	10,257
Total	3,686,098	4,077,602

Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain financial ratios of the Group, total equity and the amount of capital expenditure incurred. If the Group breaches the covenants, the drawn down facilities will become repayable on demand. The Group regularly monitors its compliance with these covenants.

As at 31 December 2020 and 2019, none of the bank covenants relating to drawn down facilities had been breached. The directors of the Company consider there is no material impact in regard of the outbreak of COVID-19 during the reporting period to the Group's bank borrowings.

15. CONVERTIBLE BONDS

Pursuant to the Acquisition mentioned in note 2, 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 Acquisition. 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 are 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 are determined based on the valuation conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited at the Completion date (i.e. 22 October 2020). The fair value of the convertible bonds as a whole of HK\$357,601,000 is determined by using the Binomial Option Pricing Model. The fair value of the liability component of the convertible 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 is 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 is 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 HK\$'000	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
As at 22 October 2020	30,769	(74,672)	(313,698)	(357,601)
Effective imputed interest expense recognised	—	(1,128)	—	(1,128)
Change in fair value	4,821	—	—	4,821
As at 31 December 2020	<u>35,590</u>	<u>(75,800)</u>	<u>(313,698)</u>	<u>(353,908)</u>

16. DISPOSAL OF A SUBSIDIARY

On 31 December 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest on Rainbow Red Holdings Limited (“**Rainbow Red**”) and its loan for a consideration of HK\$980,000,000. Rainbow Red was incorporated in Hong Kong and principally engaged in property development project — CWK Project which is located in Tsuen Wan. The disposal was completed during the year.

The assets and liabilities of the Rainbow Red at the date of disposal are:

	<i>HK\$'000</i>
Properties held for sale	596,438
Utility deposits	37
Loan from fellow subsidiaries	(600,247)
	<hr/>
Net liabilities	(3,772)
	<hr/>
Net liabilities value of subsidiaries disposed of	(3,772)
Less:	
Loan from fellow subsidiaries	600,247
Professional fee directly attributable to the transaction	328
Gain on disposal of a subsidiary included in profit for the year	383,197
	<hr/>
Total consideration	980,000
	<hr/> <hr/>
Satisfied by:	
Cash	980,000
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash	980,000
	<hr/> <hr/>

17. EVENTS AFTER THE REPORTING PERIOD

On 3 March 2021, the Group entered into a provisional agreement with an independent purchaser pursuant to which the Group has agreed to sell and the purchaser has agreed to purchase the entire issued share and the shareholder’s loan of a wholly-owned subsidiary of the Company which is principally engaged in property holding and property leasing business, at a cash consideration of HK\$51,750,000. Further details of the transaction are set out in the Company’s announcement dated 3 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULT

For the financial year ended 31 December 2020, the Group's revenue and profit attributable to owners of the Company amounted to approximately HK\$105.8 million (2019 (restated): approximately HK\$174.4 million) and approximately HK\$306.9 million (2019 (restated): approximately HK\$23.7 million) respectively.

FINAL DIVIDENDS

The board of directors (the “**Director(s)**”) of the Company (the “**Board**”) does not recommend the payment of final dividend for the year ended 31 December 2020 (For the year ended 31 December 2019: HK\$0.2 cents per share). During the year, the Board has declared an interim dividend for the six months ended 30 June 2020 of HK\$2.0 cents per share (for the six months ended 30 June 2019: Nil).

BUSINESS REVIEW

On 22 October 2020, the Company has completed a very substantial acquisition to acquire an established brand, namely, “Metropolitan” brand together with its underlying investment properties and business (“**VSA**”). After the completion of VSA, the Company is principally engaged in property development and property investment for sale, rental or capital appreciation, provision of property management and security services; provision of finance; wine business which includes operation of wine cellar and trading of fine wine; and provision of media production services. The Company has begun its construction and fitting out works business during the year. The various lifestyle business is operating under the “Metropolitan” brand name.

The Group's revenue for the year ended 31 December 2020 amounted to approximately HK\$105.8 million (2019 (restated): approximately HK\$174.4 million), which represented a decrease of approximately HK\$68.6 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2020 was approximately HK\$306.9 million (2019 (restated): approximately HK\$23.7 million), which represented an increase of approximately HK\$283.2 million from last year. The decrease in revenue was mainly due to decrease of the completion and delivery of sold units and the increase in profit attributable to owners of the Company was mainly due to the disposal of the entire equity interest of Rainbow Red Holdings Limited (the “**Disposal**”) during the year. Please refer to the circular dated 28 May 2020 for details of the Disposal. The basic and diluted earnings per share for the year was approximately HK\$47.85 cents and HK\$37.73 cents, respectively, as compared to the restated basic and diluted earnings per share of approximately HK\$3.71 cents and HK\$3.71 cents, respectively, for the corresponding period last year. The review of the individual business segment of the Group is set out below.

PROPERTY DEVELOPMENT

Revenue recognised in this business segment during the year amounted to approximately HK\$38.5 million (2019 (restated): approximately HK\$109.8 million). As at 31 December 2020, the Group had three completed projects, namely, (a) The Galaxy; (b) The Star and (c) The Rainbow; and five major projects under development, namely, (d) Yuen Long site; (e) The Cloud (formerly known as Tack Lee Project); (f) Kwun Tong Site Project; (g) Corner 50 Project (formerly known as Seongsu Project) and (h) Corner 19 Project (formerly known as Sausage Project). A general summary and update of the property development projects of the Group during the reporting year and as at 31 December 2020 are listed below:

- (a) The Galaxy: Completion and delivery of last unit amounted to approximately HK\$4.2 million in the year ended 31 December 2020. (2019: Completion and delivery of 2 motorcycle car parking spaces amounted to approximately HK\$0.8 million which were classified as investment properties in prior years). All units of the Galaxy have been sold out and delivered.
- (b) The Star: Sale of last 3 car parking spaces, which were classified as investment properties of the Group in prior years, amounted to approximately HK\$3.7 million in the year ended 31 December 2020. (2019: approximately HK\$24.3 million for the completion and delivery of 2 workshops and 4 car parking spaces). All units of The Star have been sold out and delivered.
- (c) The Rainbow: The Group has entered into several tenancy agreements to rent out the unsold commercial units in order to generate a current yield from the properties. During the year ended 31 December 2020, the revenue generated under completion and delivery of 3 units amounted to approximately HK\$34.3 million (2019: approximately HK\$85.5 million for completion and delivery of 7 units); and the revenue generated through the temporary rental income of properties held for sale recognized was amounted to approximately HK\$9.8 million (2019: approximately HK\$5.3 million from the temporary rental income of properties held for sale).
- (d) Yuen Long Site Project: The Group intends to redevelop 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 families pursuing high quality and design driven lifestyle. The Group has obtained town planning approval around the middle of 2019 and building plan approval in February 2020. The hoarding and demolition work were completed and foundation is being laid. Application for lease modification has been lodged to the Lands Department since the fourth quarter of 2019 and we expect to reach an agreement with Lands Department on this assessment of the land premium in relation to such lease modification around the third quarter of 2021. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

- (e) **The Cloud:** The Group intended to redevelop and reconstruct 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 Group has successfully obtained the approval for minor relaxation of plot ratio to increase the plot ratio (about 20%) and all demolition work has been completed in the first quarter of 2020. The pre-sales of the building began in 4th quarter of 2020. The completion and revenue recognition is expected to be achieved at the end of 2021.
- (f) **Kwun Tong Site Project:** The Group intends to redevelop it into a high end prestigious commercial building. Hoarding and demolition work of the existing building commenced in the third quarter of 2019. Town planning application was submitted in fourth quarter of 2019, and was approved in the second quarter of 2020 to change the use of the site from industrial to commercial together with an additional plot ratio (about 20%) in accordance with the Government policy in the revitalization of industrial building. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.
- (g) **Corner 50 Project:** The site is located in Seongsu area of Seoul, South Korea and the Group intends to redevelop it into a high end prestigious building. The demolition work was completed in 2nd quarter of 2020 and the construction process is expected to be completed in 3rd quarter of 2022. Upon the completion of the property redevelopment work, the Group intends to sell out the whole building to generate revenue.
- (h) **Corner 19 Project:** The site is located at the same area of Corner 50 Project. The Group intends to develop both projects into two high end prestigious buildings as landmark for the Group in the Seongsu area. The construction process is expected to be completed in 4th quarter of 2021. Together with Corner 50 Project, they would be regarded as a landmark for the Group in the Seongsu area. Upon the completion of the property redevelopment work, the Group intends to sell out the whole building to generate revenue.

Disposal of the Entire Issued Share Capital and Shareholder's Loan of the Holding Company of CWK Project

Save as disclosed in interim report 2020 and Business Review section of this announcement, the disposal of the entire issued share capital and shareholder's loan of the holding company of CWK Project, which was an indirectly wholly owned subsidiary of the Company, was completed. A gain on the Disposal of approximately HK\$383.2 million was recognized for the year ended 31 December 2020.

In view of the impact of COVID-19 to the global and local economy in 2020, the Group has taken a more conservative approach to monitor the market condition and has focused on planning and development of the existing projects. The Group will continue to pay ongoing attention to the latest property market in Hong Kong and worldwide to ensure the Group would be able to capture the best development opportunities.

PROPERTY INVESTMENT

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

Revenue recognised in this business segment during the year amounted to approximately HK\$38.7 million (2019 (restated): approximately HK\$39.3 million), representing an decrease of approximately HK\$0.6 million over 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 during the year amounted to approximately HK\$3.1 million (2019 (restated): approximately HK\$4.9 million), which represented a decrease of approximately HK\$1.8 million compared with 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 during the year amounted to approximately HK\$32.4 million (2019 (restated): approximately HK\$33.1 million), which represented a decrease of approximately HK\$0.7 million compared with last year.

After VSA, the Group has increased its investment properties portfolio. As at 31 December 2020, the total carrying value of the Group's portfolio of investment properties, amounted to approximately HK\$1,050.7 million (2019 (restated): HK\$1,105.4 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong and Korea of HK\$1,008.0 million (2019 (restated): HK\$1,049.1 million); and right-of-use assets ("ROU") that meet the definition of investment properties of HK\$42.7 million (2019 (restated): HK\$56.3 million).

Among all of the investment properties, the total carrying value categorized under Property Investment segment, amounted to approximately HK\$1,014.9 million (2019 (restated): HK\$1,068.1 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong and Korea of HK\$972.4 million (2019 (restated): HK\$1,012.6 million); and ROU that meet the definition of investment properties of HK\$42.5 million (2019 (restated): HK\$55.5 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 AND SECURITY SERVICE

The Group is providing the property management services for our three completed projects The Galaxy, The Star, The Rainbow; and a residential building located at Happy Valley. During the year of 2020, the Group has successfully obtained the security company license and taken over the provision of security services of all of the properties which the Group is providing property management services. Revenue recognised in this business segment during the year amounted to approximately HK\$3.5 million (2019: approximately HK\$2.6 million), the Group believes that the provision of all-rounded high quality property management and security services could help to enhance our brand recognition. The increase of upcoming completed projects and provision of services to other property owners or developers are expected to expand this business segment and help the Group to generate stable income in long run.

PROVISION OF FINANCE

The Group is operating in this business segment by providing credit facilities to individuals and corporations clients for its own development projects. Revenue generated from this business segment during this year amounted to approximately HK\$6.1 million (2019: HK\$7.0 million), representing a decrease of approximately HK\$0.9 million over the corresponding period last year. The slightly decrease in revenue was mainly attributable to repayment of loan from borrowers. The Group expects this business segment will continue to generate a stable income for the Group and provide support to the clients of the development projects.

CONSTRUCTION AND FITTING OUT WORKS

In order to enhance synergy with other business segments, the Group decides to provide construction services for its own projects and fitting out works for the owners of the properties which are managing by the Group. The Group has successfully registered as a Registered General Building Contractor in 2nd half of 2020. Revenue generated from this business segment during this year amounted to approximately HK\$3.1 million (2019: HK\$Nil), the Group expects this business segment will decrease the overall construction cost and increase the quality control of the development projects.

WINE BUSINESS

The Group has engaged in leasing of wine cellar and trading of fine wine business through Metropolitan Wine Cellar and Metropolitan Fine Wine.

Metropolitan Wine Cellar is principally engaged in the business of provision of professional fine wine storage services and Metropolitan Fine Wine is principally engaged in wine trading which mainly targets local Hong Kong residents and offers products delivery. Revenue recognised in this business segment during the year amounted to approximately HK\$14.6 million (2019 (restated): approximately HK\$14.4 million), which represented an increase of approximately HK\$0.2 million compared with last year.

The total carrying value of the Group's portfolio of investment properties categorized under Wine Business segment, amounted to approximately HK\$35.8 million (2019 (restated): HK\$37.3 million), which comprised a unit in industrial building located Hong Kong of HK\$35.6 million (2019 (restated): HK\$36.5 million); and ROU that meet the definition of investment properties of HK\$0.2 million (2019 (restated): HK\$0.8 million).

MEDIA PRODUCTION SERVICES

Metropolitan Production is principally engaged in the business of provision of marketing solution and consultancy services, film or advertisement production, organization of local and overseas events and music concerts and artist management. Revenue recognized in this business segment during the year amounted to approximately HK\$1.4 million (2019 (restated): approximately HK\$1.3 million), which is a slight increase compared to last year.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 31 December 2020 was approximately HK\$1,413.7 million (31 December 2019 (restated): approximately HK\$951.9 million). As at 31 December 2020, the Group maintained bank balances and cash of approximately HK\$55.5 million (31 December 2019 (restated): approximately HK\$87.8 million). The Group's net current assets of approximately HK\$385.1 million as at 31 December 2020 (31 December 2019 (restated): approximately HK\$238.4 million net current liabilities). The Group had current assets of approximately HK\$2,942.2 million as at 31 December 2020 (31 December 2019 (restated): approximately HK\$3,319.6 million). The decrease of current assets was mainly due to the Disposal. The Group had current liabilities of approximately HK\$2,557.1 million as at 31 December 2020 (31 December 2019 (restated): approximately HK\$3,558.0 million). The decrease of current liabilities was mainly due to decrease in bank borrowings. The Group's level of borrowings is disclosed hereafter under note 14 of the notes to this announcement.

The Group generally finances its operations with internally generated cash flow, convertible bonds and bank borrowings. As at 31 December 2020, the Group had convertible bonds with liability portion of HK\$75.8 million (31 December 2019: HK\$ Nil); and outstanding bank borrowings of approximately HK\$2,320.5 million (31 December 2019 (restated): approximately HK\$3,120.2 million). The bank borrowings as at 31 December 2020 were secured by the Group's properties, pledged bank deposits, corporate guarantee.

The Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as the total borrowings net of cash and cash equivalents divided by total equity) decreased from approximately 327.8% as at 31 December 2019 to approximately 164.1% as at 31 December 2020 and decreased from approximately 318.6% as at 31 December 2019 to approximately 160.2% as at 31 December 2020 respectively due to the decrease in bank borrowings.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) decreased from approximately 65.8% as at 31 December 2019 to approximately 54.8% as at 31 December 2020 due to decrease in bank borrowings.

The Group's capital commitment as at 31 December 2020 amounted to approximately HK\$419.1 million (31 December 2019 (restated): approximately HK\$258.9 million). The increase of capital commitment was mainly due to the construction contract of the development project of The Cloud and Yuen Long Site Project.

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

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 "**Convertible Bonds**"). 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.

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 acquired 2 development sites and an investment property in South Korea and the foreign currency denomination of commercial transactions, assets and liabilities, and net investments foreign operations are mainly in US dollars and Korean won.

As at 31 December 2020, offshore bank borrowings were approximately Korean Won 22 billion, which is approximately HK\$155.8 million (31 December 2019 (restated): approximately Korean Won 22 billion, which is approximately HK\$151.6 million), as land loan, construction loan and project loan for the development projects in South Korea. The offshore borrowings are expected to be repaid after the completion and disposal of South Korea Projects. The interest rates of these bank borrowings ranged from 3.37% to 5% as at 31 December 2020 (31 December 2019 (restated): 3.5%).

The Group is not subject to any significant foreign currency risk as the revenue, expenses and borrowings of the Group's foreign operating subsidiaries are denominated in the functional currencies of those operations. 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 31 December 2020, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK\$941.9 million and HK\$2,733.8 million as well as HK\$10.4 million respectively (31 December 2019 (restated): approximately HK\$914.3 million and HK\$3,153.1 million, as well as HK\$10.3 million respectively) were pledged to secure the Group's banking facilities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As disclosed in the announcement dated 11 December 2020, after the grant of share option on 23 November 2020, the Group has been advised that the grant of share options, in aggregate, would result in the total number of shares which may be issued upon exercise of all share options granted under the share option scheme, in aggregate, to exceed 10% of the share in issue as at the date of listing of the shares, which was prohibited under Note 1 to Rule 17.03(3) of the Listing Rules and the rules of the share option scheme. The Group has taken immediate remedy action to cancel the share options which were granted exceed the scheme mandate limit of the share option scheme.

Save as disclosed, 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 31 December 2019, Inventive Rainbow Limited (an indirect wholly-owned subsidiary of the Company, as the Vendor) and the Company (as the guarantor) entered into the Agreement with an independent third party (as the Purchaser), pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the entire equity interest of Rainbow Red Holdings Limited at the price of HK\$980,000,000. Please refer to the circular dated 28 May 2020 for details of this very substantial disposal.

On 22 October 2020, the Group has acquired Metropolitan Group (BVI) Limited and its subsidiaries which is principally engaged in serviced apartment business, wine cellar and fine wine business, storage and workshop and production and other investment holdings, from a controlling shareholder of the Company, for a consideration of HK\$460,000,000. Please refer to the circular dated 15 September 2020 for details of this very substantial acquisition.

On 3 March 2021 (after trading hours), Ritzy Soar Limited, an indirect wholly owned subsidiary of the Company, as the vendor, entered into a provisional agreement with an independent third party, as the purchaser, pursuant to which (1) the vendor has agreed to sell and assign, and the purchaser has agreed to purchase and take up an assignment of, the entire equity interest of Palico Development Limited; or (2) if a property procurement option has been exercised (as defined in the provisional agreement and disclosed in the announcement of the Company dated 3 March 2021), the vendor has agreed to procure Palico Development Limited to sell, and the purchaser has agreed to purchase, the property held by Palico Development Limited, at the purchase price of HK\$51,750,000 (subject to adjustment). Further details of the aforesaid transaction were disclosed in the announcement of the Company dated 3 March 2021.

Save as disclosed in this announcement, there was no significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the reporting period.

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as of 31 December 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed 99 employees (31 December 2019 (restated): 69 employees) and appointed 8 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 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) economic and financial conditions which may directly affect the property market or purchasing power. After the acquisition of Metropolitan Group, its operating entities in the business of provision of serviced apartments, workshops, storage and wine cellars will also be highly affected by the economy of Hong Kong; (ii) supply and price level of land banks may have significant impact to our development project planning; (iii) the continuous increase of construction costs may increase the cost of the development project; (iv) legislative and regulatory changes may affect the completion time of our property development projects or the market sentiment like property cooling measures imposed by the government from time to time; (v) outsource of construction works to independent third parties that they may fail to provide satisfactory services adhering to our quality and safety standards as well as within the timeline required by the Group; (vi) 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 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 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. The Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

Impact of COVID-19 pandemic

The Group has implemented a series of precautionary and control measures since the outbreak of COVID-19 to ensure the business continuity. In order to protect our workplace from outbreak, the Group has provided clear and timely guidelines to all staffs; maintained a close monitoring on all staff's health status, travel history and potentially infectious contacts; provided extra sanitization products and air purifier machine to all sites. Since the business operation of Metropolitan Group may involve contact with lots of customers, the Group has ensured proper sanitization and cleaning work is done. If there is any confirmed case at the site, a complete disinfection and sanitation of the whole area should be carried out by the professional cleaning services provider before allowing any people to re-enter the location. Notification to all of the customers of the relevant site will also be made immediately. In early 2020, the negative market sentiment had slightly affected the sale of remaining inventory. Various precautionary measures had also slow down the development process in the first six months of 2020. As the situation improved in 4th quarter of 2020, the Group has launched the pre-sales of the Cloud. Going onward, the Group will continue to closely communicate with different business partners to ensure the development progress is on the track.

PROSPECT

The COVID-19 Pandemic has caused serious disruptions to our social life and economic activities. Most industries, especially hospitality and food & beverage, have been hit hard. However, the residential property market of major cities in different parts of the world including Hong Kong has remained resilient. According to data provided by OECD, 89% of the countries in the world have recorded the largest positive gains since 2000 in residential property prices up to the 3rd quarter of 2020. A very substantial amount of credit has been created and injected into the economies in different parts of the world including the US, parts of Europe and Asia, resulting in a rise in some asset prices like residential properties which are less related to economic activities.

In Hong Kong, despite high unemployment and negative GDP growth, we went ahead and launched the sale of our industrial project in Tai Kok Tsui, The Cloud, in the 4th quarter of 2020. We have successfully sold more than 50% of the units of the development and the highest price achieved reached \$11,000 per sq ft in gross. With the start of the COVID-19 vaccination, we believe the pandemic situation will start to recede and economy start to recover quickly. On top of that, the US Federal Reserve recently stated that interest rate is likely to remain low in the coming two years, and also they will allow inflation to rise above 2%. We believe low interest rate with some inflation provide a very favorable background for the property market. We are therefore optimistic that we will be able to sell all the units of The Cloud as well as our other projects' units in the future.

OTHER INFORMATION

ANNUAL GENERAL MEETING

The 2021 annual general meeting (“**AGM**”) of the Company will be held on Friday, 21 May 2021 and the notice of 2021 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 Thursday, 13 May 2021 to Friday, 21 May 2021 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office in Hong Kong, Tricor Investor Services Limited (the “**Share Registrar**”) at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12 May 2021.

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 Directors, the Company confirmed that all Directors, except Mr. Chan Man Fai Joe, 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 year ended 31 December 2020. On 27 January 2020, the Company entered into a conditional acquisition agreement with Metropolitan Lifestyle (BVI) Limited, which is a company indirectly wholly owned by Mr. Chan Man Fai Joe, in relation to the issue of the Convertible Bonds as part of consideration of the acquisition. Afterwards Mr. Chan Man Fai Joe noticed that the entering into of the conditional acquisition with convertible bonds as part of the consideration within the blackout period also constitutes a breach of A.3(a)(ii) and B.8 of the Model Code by dealing in shares within blackout period, the acquisition agreement eventually lapsed. Save as disclosed, Mr. Chan Man Fai Joe has complied with the required standard set out in the Model Code throughout the reporting period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities throughout the year ended 31 December 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules with the exception for code provision A.2.1, which requires the roles of chairman and chief executive officer be in different individuals, throughout the year ended 31 December 2020.

Under code provision A.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 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 (“**INEDs**”), 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 reporting, including interim and final results, to review and monitor the external auditors independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to oversight of the Company’s risk management, internal control procedures and external audit functions and to make relevant recommendations to the Board to ensure effective and efficient operation and reliable reporting.

The Audit Committee had reviewed the Group’s consolidated financial statements for the year ended 31 December 2020.

PROPOSED CHANGE OF COMPANY NAME

On 31 March 2021, the Board proposes to change the English name of the Company from “Star Properties Group (Cayman Islands) Limited” to “Star Group Company Limited” and the Chinese name of the Company from “星星地產集團(開曼群島)有限公司” to “星星集團有限公司”. The proposed change of the Company’s name is subject to (i) the passing of a special resolution by poll on the forthcoming annual general meeting of the Company approving the proposed change of Company name and (ii) the Registrar of Companies in the Cayman Islands approving the proposed change of Company name by issuing a certificate of incorporation on change of name. Details of the annual general meeting and the progress of such change will be announced in due course.

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 2020 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. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing (“**HKSAs**”), Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by 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.starproperties.com.hk). The 2020 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 31 March 2021

As at the date of this announcement, the Board consists of four executive Directors, namely Mr. Chan Man Fai Joe (Chairman), Ms. Cheung Wai Shuen, Mr. Liu Hon Wai and Prof. Pong Kam Keung; one non-executive Director, namely 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.