# STAR PROPERTIES GROUP (CAYMAN ISLANDS) LIMITED

星星地產集團(開曼群島)有限公司

STOCK CODE: 1560

# ANNUAL REPORT 2017

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# CORPORATE INFORMATION

## REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1203A, 12/F
Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

## COMPANY WEBSITE

www.starproperties.com.hk

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTOR

Mr. Chan Man Fai Joe（陳文輝）
Mr. Lam Kin Kok（林建國）
*(Re-designated as a non–executive director with effect from 23 September 2017 and resigned as a non-executive director with effect from 23 November 2017)*
Ms. Cheung Wai Shuen（張慧璇）
Mr. Liu Hon Wai（廖漢威）

### NON-EXECUTIVE DIRECTOR

Mr. Pong Kam Keung（龐錦強）
Mr. Yim Kwok Man（嚴國文）
Mr. Lam Kin Kok（林建國）
*(Re-designated as a non–executive director with effect from 23 September 2017 and resigned as a non-executive director with effect from 23 November 2017)*

### INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Shiu Siu Tao（蕭少滔）
Mr. Lee Chung Ming Eric（李仲明）
Ms. Chan Wah Man Carman（陳華敏）

## COMPANY SECRETARY

Ms. Cheung Wai Shuen (HKICS)

## AUDIT COMMITTEE

Ms. Chan Wah Man Carman *(Chairman)*
Mr. Lee Chung Ming Eric
Mr. Shiu Siu Tao

## NOMINATION COMMITTEE

Mr. Yim Kwok Man *(Chairman)*
Mr. Chan Man Fai Joe
Mr. Shiu Siu Tao
Mr. Lee Chung Ming Eric

## REMUNERATION COMMITTEE

Mr. Shiu Siu Tao *(Chairman)*
Ms. Chan Wah Man Carman
Mr. Chan Man Fai Joe

## RISK CONTROL COMMITTEE

Mr. Yim Kwok Man *(Chairman)*
Mr. Chan Man Fai Joe
Mr Lam Kin Kok
*(Resigned with effect from 23 September 2017 )*
Ms. Cheung Wai Shuen
Mr. Pong Kam Keung
Mr. Lee Chung Ming Eric

## EXECUTIVE COMMITTEE

Mr. Chan Man Fai Joe *(Chairman)*
Mr Lam Kin Kok
*(Resigned with effect from 23 September 2017 )*
Ms. Cheung Wai Shuen
Mr. Liu Hon Wai

## AUTHORISED REPRESENTATIVES

Mr. Chan Man Fai Joe
Mr. Lam Kin Kok
*(Resigned with effect from 23 September 2017 )*
Ms. Cheung Wai Shuen

## COMPLIANCE ADVISER

Lego Corporate Finance Limited
Room 1601, 16/F, China Building,
29 Queen's Road Central
Hong Kong

## PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
North Point Branch
G/F, 486 King's Road, North Point
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road, Hong Kong

Hang Seng Bank
83 Des Voeux Road, Central
Hong Kong

Cathy United Bank
20/F, LHT Tower
31 Queen's Road Central
Central, Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu
*Certified Public Accountants*

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street, PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report that the Group's consolidated net profit attributable to shareholder was HK$95.8 million for the year ended 31 December 2017 and earnings per share was HK18.9 cents. It is a notable increase compared with last year. The Board of Directors has recommended a final dividend of HK5.6 cents per share.

2017 was a fruitful year for Star Properties Group (Cayman Islands) Limited (the "Company", together with the subsidiaries, the "Group") as the Group recognized the revenue from the completion of the development project The Star (Note 1); strengthened its financial position through open offer and managed to replenish the land bank by acquiring 2 new development sites, the Yuen Long Site (Note 2) and the Kwun Tong Site (Note 3).

As for the existing development projects, The Rainbow (Note 4), which formerly known as Yue Fung Project, had successfully obtained the special waiver from the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong Government") to convert the building into commercial use. We preliminarily sold some of its floors in December 2017 and targeted to resume its presales in middle of 2018 to capture the growing market and optimise the profit. Another development project The CWK Project (Note 5) has paid the land premium for the lease modification to modify the government lease to allow commercial uses and the foundation works will commenced in third quarter of 2018.

We remain positive with the property market outlook in Hong Kong even in the wake of the first rise in interest rates as Hong Kong's economy has maintained its strong momentum.

In the year of 2018, the management will continue to increase earnings via enhancing efficiency and productivity while at the same time improving the quality of products. We focus on our strength to develop and deliver high quality property units with innovative and elegant designs to our customers. At the same time, we diversify our business portfolio to include various types of properties and location to ensure our long-term competitiveness. We believe the strong management and operation together with high quality products can enable us to take advantage of potential opportunities in the future. In addition to the focus on the property projects, we strive to strengthen brand awareness and market position by building our brand image. We believe a strong brand identify would provide support for ongoing sales and is essential for the future business development.

Finally, I would like to extend my gratitude to our shareholders, board of directors, employees and business partners for their continued support.

**Chan Man Fai Joe**
*Chairman*

28 February 2018

*Note 1: The Star is our property development project situated at The Remaining Portion of Section B of Lot No. 693 in Demarcation District No. 445, Kwai Chung, New Territories, Hong Kong and owned by Fountain Inc Limited, our wholly-owned subsidiary.*

*Note 2: Yuen Long Site is our property development project situated at Yuen Long Town Lot No. 461, No. 21 Wang Yip Street West, Yuen Long, New Territories, Hong Kong and owned by Sincere Gold Properties Limited, our wholly-owned subsidiary.*

*Note 3: Kwun Tong Site is our property development project situated at Kwun Tong Inland Lot No. 570-573, Nos. 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong and owned by Diamond Ocean Investments Limited, our wholly-owned subsidiary.*

*Note 4: The Rainbow, formerly known as Yue Fung Project, is our property development project situated at Yuen Long Town Lot No. 374, No. 22 Wang Yip Street South, Yuen Long, New Territories, Hong Kong and owned by Spring Moon Investments Limited, our wholly-owned subsidiary.*

*Note 5: The CWK Project is our property development project situated at Section A of Lot No. 303 in Demarcation District No. 355, No. 11-15 Chai Wan Kok Street, Tsuen Wan, Hong Kong and owned by Rainbow Red Holdings Limited, our wholly-owned subsidiary.*

## FINANCIAL RESULT

For the financial year ended 31 December 2017, the Group's revenue and profit attributable to owners of the Company amounted to approximately HK$732.4 million (2016: approximately HK$40.7 million) and approximately HK$95.8 million (2016: approximately HK$21.7 million) respectively.

## BONUS ISSUE OF SHARES AND FINAL DIVIDEND

On 19 May 2017, the Company completed bonus issue on the basis of one (1) bonus share for every one (1) existing share held on 9 May 2017. After the completion of bonus issue, the Company had a total of 448,000,000 issued shares and the number of bonus shares issued under the bonus issue was 224,000,000.

The board of directors (the "Director(s)") of the Company (the "Board") does recommend the payment of final dividend of HK5.6 cents per ordinary share for the year ended 31 December 2017 (2016: HK22 cents) which is subject to the approval by the shareholders of the Company at the Annual General Meeting ("AGM"), to be held on or around Tuesday, on 17 April 2018, and is expected to be distributed to those entitled on Thursday, 26 April 2018.

## BUSINESS REVIEW

The Company is principally engaged in property development and property investment for sale, rental or capital appreciation, provision of property management services and provision of finance.

The Group's revenue for the year ended 31 December 2017 amounted to approximately HK$732.4 million (2016: approximately HK$40.7 million), which represented a notable increase of approximately HK$691.7 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2017 was approximately HK$95.8 million (2016: approximately HK$21.7 million), which represented an increase of approximately HK$74.1 million from last year. The increase in revenue and the profit for the year ended 31 December 2017 was mainly due to (i) the revenue recognition for the completion and delivery of sold units from property development project "The Star" to the buyers during the year; and (ii) the non-recurring expenses of approximately HK$16.9 million in relation to the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") (the "Listing") on 13 July 2016 incurred for the year ended 31 December 2016. The basic earnings per share for the period was approximately HK18.9 cents as compared to basic earnings per share of approximately HK5.6 cents as restated after bonus issue on 19 May 2017 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$728.2 million (2016: approximately HK$31.9 million). As at 31 December 2017, the Group had two completed projects, namely, (i) The Galaxy and (ii) The Star; and four projects under development, namely, (iii) The Rainbow (previously named as Yue Fung Project); (iv) the CWK Project; (v) Yuen Long site; and (vi) Kwun Tong site. A general summary and update of the property development projects of the Group during the reporting year and as at 31 December 2017 are listed below:

The Galaxy: Revenue recognised for the completion and delivery of three workshop units during the year amounted to HK$14.0 million. (2016: approximately HK$31.9 million). The decrease in revenue for the reporting year was mainly attributable to fewer delivery of completed units compared with last year.

The Star: The Group received the occupation permit from the buildings department of the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "Hong Kong Government") on 16 May 2017. Revenue recognised for the completion and delivery of the 282 pre-sold units during the year was approximately HK$714.2 million.

The Rainbow (previously named as Yue Fung Project): The Board has passed a resolution to change the investment intention of the project from investment property to inventories and classified it as property held for sale as well as to adopt a new development plan with a view to sell after granting approval from the Hong Kong Government on general building plans submission and a special waiver allowing the existing industrial building to be converted into commercial building. The building and the project "Yue Fung Project" has been renamed as "The Rainbow". The Group has launched the pre-sales of the project in November 2017. The total contracted pre-sales amounted to approximately HK$246.1 million which will be recognised (subject to audit) as revenue of the Group upon completion and delivery of units. The project has attracted different age groups including the end users and the investors and making a strong foundation for the Group to achieve sustainable and healthy returns. The Group is currently preparing for the launch of the pre-sale of the remaining units. The alternations and additions works are making good progress and are expected to be completed within 2018.

CWK Project: The Group has paid the land premium of HK$280.0 million in September 2017, which is financed by both bank borrowings and the net proceeds from Open Offer (as defined hereafter). The demolition of the existing building is already completed in April 2017. The Group expects to commence foundation works in the second quarter of 2018.

Yuen Long Site Project: The Group has successfully acquired a property located at Wang Yip Street West, Yuen Long, New Territories in February 2017, through acquisition of subsidiaries. Ocean Bay International Limited, a company incorporated in the BVI and a wholly owned subsidiary of the Group as the purchaser entered into a sale and purchase agreement in relation to the acquisition 100% equity interest of, Canton Glory Limited ("Canton Glory"), a company incorporated in BVI, at a cash consideration of HK$339,980,000. Canton Glory wholly owns the entire issued share capital in Sincere Gold Properties Limited, a company incorporated in Hong Kong, which holds the property located at Wang Yip Street West, Yuen Long, New Territories. The Group intends to redevelop it into a residential complex with some shops. The Group is in the progress to submit the building plans to the Building Department of the Hong Kong Government and lease modification application to the Lands Department of the Hong Kong Government. The Group expects to commence hoarding and demolition works in the second quarter of 2018.

Kwun Tong Site Project: The Group has successfully acquired an industrial building located in Kwun Tong, Kowloon in August 2017, through Diamond Ocean Investments Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Group as the purchaser entered into a sale and purchase agreement in relation to the acquisition of the properties located at Wai Yip Street, Kwun Tong, Kowloon, at a cash consideration of HK$760,000,000. The Group intends to redevelop it into a high grade commercial building. The building is currently leasing out to generate temporary rental income from properties held for sale. The Group is in the progress to prepare the submission of lease modification to the Lands Department of the Hong Kong Government.

Ngau Tau Kok Site Project: As disclosed in the 2016 Annual Report and 2017 Interim Report of the Company, the Group has entered into a provisional sale and purchase agreement in January 2017 to acquire an industrial building located in Ngau Tau Kok, Kowloon. Pursuant to a provisional sale and purchase agreement entered into in August 2017 between Star Properties Group (BVI) Limited, a wholly owned subsidiary of the Company, and an independent third party (the "Purchaser"), the Group agreed to sell its entire equity interest in Moon Colour Holdings Limited, which was a wholly owned subsidiary of the Group and held a property located at Tai Yip Street, Ngau Tau Kok, Kowloon (the "NTK Site"), as at completion to the Purchaser at an aggregate cash consideration of HK$360,000,000 (the "Disposal"). On the basis that (i) the consideration offered by the Purchaser was higher than our initial acquisition consideration for the NTK Site; and (ii) after balanced consideration and based on the due diligence review of the NTK Site to date, the Disposal represents an opportunity for the Group to focus on the Yuen Long Site Project and the Kwun Tong Site Project which the Directors believe have more attractive development potentials, the Directors are of the view that the terms of the Disposal are fair and reasonable and in the best interest of the Company and its Shareholders as a whole, and would allow the Group to better allocate resources for the development of the businesses of the Group and improve the financial flexibility of the Group. The Disposal was completed in August 2017 and the resulting gain on Disposal was recognised in the profit or loss.

New development projects: The Group is constantly seeking to increase our land bank for future development and has recently entered into five provisional sale and purchase agreements to acquire an industrial building located in Tung Chau Street, Kowloon in January 2018. The Group expects to complete all of the acquisitions by July 2018.

Moving forward, the Group keeps its continuous proactive participation in the search for land reserve for commercial, industrial and residential use that will give a solid competitive advantage to sustain its operation and return in the long run. The Group has also explored other ways of collaboration with external parties for development opportunities to expand market reach as well as strengthen brand awareness with the portfolio of quality properties.

## PROPERTY INVESTMENT

As at 31 December 2017, the Group's portfolio of investment properties comprised of car parking spaces located in Hong Kong with a total carrying value of approximately HK$36.7 million (31 December 2016: approximately HK$574.0 million). The decrease in the total carrying value was mainly due to change of the investment intention of The Rainbow from an investment property to property held for sale as mentioned under Property Development above and disposal of the car parking spaces. Revenue recognised in this business segment during the year amounted to approximately HK$2.0 million (2016: approximately HK$8.8 million), representing a decrease of approximately HK$6.8 million as compared with last year. The decrease in gross rental income was mainly due to the aforesaid change of investment intention of The Rainbow.

## PROVISION OF PROPERTY MANAGEMENT SERVICES

Currently, the Group is operating in the business segment of property management services to provide the management services for our two completed projects, The Galaxy and The Star. Revenue recognised in this business segment during the year amounted to approximately HK$1.0 million (2016: approximately HK$0.9 million), the Group expects this business segment to be expanded by increasing our completed projects in the coming years.

## PROVISION OF FINANCE

This new line of business reflects the Group's strategy for business diversification and creating synergy with the Group's existing segments of property related businesses as well as provides a new source of income to earn a relatively higher and more stable return compared with deposits and securities investments. Currently, the Group is operating in this business segment to provide credit facilities to individuals and corporations for our two completed projects. Revenue generated from this business segment during this year amounted to approximately HK$1.1 million (2016: HK$0 million). The Group expects this business segment will continue to grow healthily under the continuous tightening of mortgage lending policy in Hong Kong and by increasing our completed projects in the coming years.

## LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 31 December 2017 was approximately HK$642.0 million (31 December 2016: approximately HK$450.1 million). As at 31 December 2017, the Group maintained bank balances and cash of approximately HK$63.5 million (31 December 2016: approximately HK$31.8 million). The Group's net current assets of approximately HK$555.8 million as at 31 December 2017 (31 December 2016: net current liabilities approximately HK$136.0 million). The Group had current assets of approximately HK$2,377.1 million (31 December 2016: approximately HK$779.3 million). The increase of current assets was mainly due to increase in property under development. The Group had current liabilities of approximately HK$1,821.3 million (31 December 2016: approximately HK$915.3 million). The increase of current liabilities was mainly due to the increase in borrowings and recognition of the receipts in advance from the units pre-sold of The Star as revenue in the same reporting period. The Group's level of borrowings is disclosed under note 22.

The Group generally finances its operations with internally generated cashflow, borrowings and equity financing in Hong Kong. During the year, the Company raised approximately HK$134.4 million before expenses by way of the Open Offer (as defined hereafter). As at 31 December 2017, the Group had outstanding borrowings of approximately HK$1,715.2 million (31 December 2016: approximately HK$741.7 million). The borrowings as at 31 December 2017 were secured by the properties of the Company and the corporate guarantee as well as the personal guarantee from a director.

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 total borrowings net of cash and cash equivalents divided by total equity) increased from 164.8% as at 31 December 2016 to 267.2% as at 31 December 2017 and increased from 157.7% as at 31 December 2016 to 257.3% as at 31 December 2017 respectively, mainly due to the increase in borrowings which was partially offset with the issue of shares by way of the Open Offer (as defined hereafter).

The Group's debt-to-assets ratio (defined as total borrowings net of cash and cash equivalents divided by total assets) increased from 52.0% as at 31 December 2016 to 67.0% as at 31 December 2017 due to increase in borrowings and increase in properties held for sale.

The Group's capital commitment as at 31 December 2017 amounted to approximately HK$128.0 million (31 December 2016: approximately HK$320.0 million). The decrease of capital commitment was mainly due to the completion of the acquisition regarding the equity interest of a subsidiary as disclosed under note 25(a).

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 financial management policy so that the financial resources are under close monitoring to ensure the Group's smooth operation and loan repayment obligations. Therefore, the management of the Group is of the opinion that the Group's financial structure and resources are healthy and sufficient for meeting its needs on operation, potential investment and to cope with market changes.

## CAPITAL STRUCTURE

Detail of the movements in the Company's share capital are set out in note 29 in the notes to the consolidated financial statements.

## SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this report, there were no other significant investment held and did not have other plans for material investments and capital assets.

## MATERIAL ACQUISITION AND DISPOSALS

Detail of the acquisition and disposals of subsidiaries for the year ended 31 December 2017 are set out in note 25 in the notes to the consolidated financial statements.

## FOREIGN EXCHANGE

The Group's transactions and the monetary assets and liabilities are principally denominated in Hong Kong dollars, while all borrowings are also denominated in Hong Kong dollars. 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 2017, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK$26.3 million and HK$2,243.1 million as well as HK$10.0 million respectively (31 December 2016: approximately HK$539.4 million and HK$682.4 million, as well as nil respectively) were pledged to secure the Group's banking facilities.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed 11 employees (31 December 2016: 7) and appointed 8 Directors (31 December 2016: 9). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to individual performance, working experience, qualification and the current relevant industry practices. Apart from base salary and statutory provident fund scheme, discretionary bonus and share options may be granted to selected staff by reference to the Group's as well as the individual's performances. Other forms of benefits such as medical, 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) Hong Kong economic and financial conditions which may directly affect the property market; (ii) availability of suitable sites and/or existing buildings for future property development; (iii) the continuous increase of construction costs in Hong Kong; (iv) business cycle for property under development may be influenced by a number of factors, such as delays in obtaining the Hong Kong Government approvals for our property development projects, and the Group's revenue will be directly affected by the mix of properties available for sale and completion; (v) all construction works are outsourced 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) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (vii) all property management services are outsourced to independent third parties that they may fail to provide satisfactory day-to-day onsite management services to users adhering to our quality and standards as required by the Group; and (viii) market risk, credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy. The Group has a series of internal control and risk management policies to cope with the abovementioned possible risks and uncertainties, and has serious scrutiny over the selection of quality customers and suppliers. The Group has formed various committees to develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. The Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

## FUND RAISING ACTIVITY

The Company raised approximately HK$134.4 million before expenses by way of the Open Offer (as disclosed in the announcement/ prospectus of the Company on 21 August 2017 and 8 September 2017), pursuant to which 179,200,000 offer shares was issued at the subscription price of HK$0.75 per offer share (the "Open Offer"). Net proceeds from the Open Offer were approximately HK$132.8 million (after deduction of the underwriting commission and relevant expenses), which are intended to be applied in the manner as disclosed in the prospectus of the Open Offer dated 21 August 2017. As at 31 December 2017, the net proceeds from the Open Offer were utilised as follows:

| | Net proceeds HK$ million | Amount utilised as at 31 December 2017 HK$ million | Amount unutilised as at 31 December 2017 HK$ million |
|---|---|---|---|
| Payment of land premium of CWK Project | 56.0 | 56.0 | – |
| Repayment of interest expenses | 62.0 | 18.0 | 44.0 |
| General working capital of the Group | 14.8 | 14.8 | – |
| **TOTAL** | 132.8 | 88.8 | 44.0 |

The Company listed its shares on the Main Board of the Stock Exchange on 13 July 2016. All of the net proceeds from the Listing were fully utilised in the manner as disclosed in the interim report as at 30 June 2017.

## PROSPECT

Hong Kong's property market is expected to continue to rise on the basis of a healthy economy, rising confidence in economic growth and continuous inflow of Chinese capital. Driven by strong investment appetite and abundant liquidity, property prices continue to beat market expectation in 2017 and expect to move up moderately in 2018 although buyers' sentiment should be affected by the advent of the U.S. interest rate upcycle. Office market will continue to benefit from a strong GDP growth and optimistic business outlook by major industries while the high rental cost will make the companies look for alternative solutions in emerging business districts. As for the industrial market, the new revitalization policy will further enhance the industrial property values which will attract new investments. The Group expects the rising demand and yet the shortage in the supply of newly built buildings in Hong Kong will continue provide opportunities to the Group. The Group will proactively look for feasible development projects to richen our land bank and launch the property project into the market with an accurate product positioning as well as effective sales and marketing strategy.

Through the fund raising activity in the capital market, the Group has successfully raised fund and utilised in the property development project and general working capital with relatively low financing cost as compared with bank financing as can be obtained by a private company.

The Group remains optimistic about the property market in Hong Kong will grow steadily and place emphasis on strengthening the property development and investment business by enhancing efficiency and diversifying the development project portfolio to include various types of properties and location to ensure our long-term competitiveness in the best interest of the Group and its Shareholders as a whole.

## BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

Mr. Chan Man Fai Joe (陳文輝), aged 59, is an executive Director of the Company since 14 March 2016. He is also the chairman, chief executive officer and one of the controlling shareholders of the Company. Mr. Chan is also the chairman of the nomination committee and executive committee. He is also a member of the remuneration committee and the risk control committee focusing on business risk. Mr. Chan is primarily responsible for the overall management, strategic planning, business strategies and corporate development of the Group. Mr. Chan has over 36 years of advisory and trading experience at leading financial institutions and has extensive experience in the property market. Mr. Chan plays an instrumental role in defining our investment strategies and capital and strategic development. His years of experience in securities and financial sectors as well as the property market have enabled him to develop insights in the macro economic environment and the market trend which may help the Group identify themes and opportunities in the marketplace. Mr. Chan has undertaken to devote sufficient time and attention to the overall management, strategic planning and corporate development of the Group. Mr. Chan received his degree of Bachelor of Social Sciences from The University of Hong Kong in November 1982 and his degree in Master of Business Administration from The Wharton School, University of Pennsylvania, U.S. in May 1987. Mr. Chan did not hold any other directorships in listed public companies in the last three years.

Ms. Cheung Wai Shuen (張慧璇), aged 42, is an executive Director and company secretary of the Company since 14 March 2016. Ms. Cheung is also a member of the executive committee and risk control committee focusing on business risk. Ms. Cheung is primarily responsible for the financial management, company secretarial matters, internal control related matters and administration of the Group. Ms. Cheung had been the company secretary of members of the Group and the finance & corporate planning managing Director of Star Properties (H.K.) Limited ("Star Properties") since November 2010 and October 2014 respectively. Ms. Cheung has over 18 years of financial and regulated activities experience. Ms. Cheung is currently a registered representative of type 4 activities (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities with the Securities and Futures Commission. Ms. Cheung was elected as an associate of The Institute of Chartered Secretaries and Administrators and admitted associate of The Hong Kong Institute of Chartered Secretaries both in January 2014. Ms. Cheung graduated with a degree in Bachelor of Business Administration (Honours) in Finance from Hong Kong Baptist University in December 1998 and obtained the degree in Master of Corporate Governance, from Hong Kong Polytechnic University in October 2013. Ms. Cheung did not hold any other directorships in listed public companies in the last three years.

Mr. Liu Hon Wai (廖漢威), aged 51, is an executive Director of the Company since 14 March 2016. Mr. Liu is a member of the executive committee. Mr. Liu is the head of sales and marketing and is primarily responsible for the marketing and sales management of the Group. Mr. Liu has been a managing Director of Star Properties since September 2015. Mr. Liu has over 23 years of experience in the property market especially in sales and marketing of properties. Mr. Liu was consecutively awarded with Ten Million Supervisor in Centaline Property Agency Limited from 1995 to 1999 and Ten Million Manager in 2000. He was also a lion member and golden lion member of the Centaline Eagle Club from 1995 to 2000. Mr. Liu passed the qualifying examination for estate agents under the Estate Agents Authority of Hong Kong in April 1999. Mr. Liu graduated with a Bachelor of Social Work degree from The University of Hong Kong in December 1989.

## NON-EXECUTIVE DIRECTORS

Mr. Pong Kam Keung（龐錦強）, aged 56, is a non-executive Director of the Company since 14 March 2016. Mr. Pong is also a member of the risk control committee focusing on compliance related matters. Mr. Pong is currently an executive Director of Sundart Holdings Limited (stock code: 1568), a company listed on the Main Board of the Stock Exchange and an integrated fittingout contractors in Hong Kong and Macau, and an independent non-executive Director of Shuang Yun Holdings Limited (stock code: 1706), a company listed on the Main Board of the Stock Exchange and a Singapore based contractor engaged in road works services and construction machinery rental services. Mr. Pong obtained a degree in Bachelor of Science in Building Surveying from the Thames Polytechnic, United Kingdom in June 1989, a degree in Master of Science in Property Investment from the City University of London, United Kingdom in December 1993, a degree in Bachelor of Laws, from the University of Wolverhampton, United Kingdom in September 1995, a degree in Master of Science in Urban Planning, from The University of Hong Kong in December 2005 and a degree in Master of Corporate Governance, from the Hong Kong Polytechnic University in October 2008. Mr. Pong has been a fellow of the Hong Kong Institute of Facility Management, the Hong Kong Institute of Surveyors, the Chartered Institute of Arbitrators, the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Chartered Secretaries and a member of the Royal Town Planning Institute since July 2000, November 2000, January 2001, January 2006, October 2012 and January 2007, respectively. Mr. Pong is registered as a chartered building engineer by the Chartered Association of Building Engineers in February 2014. Save as disclosed, Mr. Pong did not hold any other directorships in listed public companies in the last three years.

Mr. Yim Kwok Man（嚴國文）, aged 49, is a non-executive Director of the Company since 14 March 2016. Mr. Yim is the chairman of the nomination committee and also the chairman of the risk control committee focusing on compliance related matters. Mr. Yim has over 21 years of extensive experience in the areas of corporate finance, equity capital markets and mergers and acquisitions advisory in Hong Kong. Mr. Yim has been a fellow member of The Association of Chartered Certified Accountants and an associate member of Hong Kong Society of Accountants since November 1998 and January 2002 respectively. Mr. Yim is currently a registered representative of type 4 activities (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities with the SFC. Mr. Yim graduated from Hong Kong Polytechnic University with a Bachelor of Engineering degree in Civil Engineering in November 1991. He attended an international MBA exchange program at John E Anderson Graduate School of Management, University of California, Los Angeles (UCLA), USA in 1993 and obtained a degree in Master of Business Administration (MBA) from the Chinese University of Hong Kong in September 1994. Mr. Yim is currently an independent non-executive Director of Tsui Wah Holdings Limited (stock code: 1314), a company listed on the Main Board of the Stock Exchange since November 2012. Save as disclosed, Mr. Yim did not hold any other directorships in listed public companies in the last three years.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shiu Siu Tao（蕭少滔）, aged 54, is an independent non-executive Director of the Company since 27 June 2016. Mr. Shiu is the chairman of the remuneration committee and a member of the audit committee and nomination committee. Mr. Shiu has more than 24 years of experience in corporate finance and he was previously a Director of First Capital International Finance Limited; SeniorVice President of DBS Asia Capital Limited and Head of ECM Department of China Merchants Securities (Hong Kong) Co. Ltd. Mr. Shiu graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration degree in December 1990. He obtained a diploma certificate from the HEC Paris School of Management (Ecole des Hautes Etudes Commerciales) in Paris, France in July 1992. Mr. Shiu did not hold any other directorships in listed public companies in the last three years.

Mr. Lee Chung Ming Eric（李仲明）, aged 53, is an independent non-executive Director of the Company since 27 June 2016. Mr. Lee is a member of the audit committee, nomination committee and risk control committee focusing on industry risk. Mr. Lee has professional experience in the architectural industry. Mr. Lee has been a Director of LWK & Partners (HK) Ltd., an architectural firm, since September 2010. Mr. Lee graduated from The University of Hong Kong with a degree in Bachelor of Arts (Architectural Studies) in November 1988, and subsequently with a Bachelor of Architecture degree in November 1991. Mr. Lee also obtained a degree in Master of Science (Conservation) from the University of Hong Kong in December 2005. He has been a member of the Hong Kong Institute of Architects since December 1992 and a registered architect in the Architects Registration Board in Hong Kong since July 1993. He is also qualified as an authorised person (list of architects) by the Buildings Department. Mr. Lee did not hold any other directorships in listed public companies in the last three years.

Ms. Chan Wah Man Carman（陳華敏）, aged 49, joined the Group as an independent non-executive Director since 27 June 2016. Ms. Chan is the chairman of the audit committee and a member of the remuneration committee of the Company. Ms. Chan possesses over 24 years of experience in private equity, corporate finance and financial advisory. Ms. Chan obtained a degree in Bachelor of Science from Minnesota State University, Bemidji, U.S. in August 1993, and a Master of Accounting degree from Curtin University of Technology, Australia through long distance learning in February 2000. Ms. Chan has been a member of Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia since July 2005 and April 2005, respectively. Since November 2011, she has been a responsible officer licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO. Ms. Chan has been an independent nonexecutive director of Fuguiniao Co., Ltd (stock code: 1819), a company listed on the Main Board of the Stock Exchange, from June 2014 to June 2017. Save as disclosed, Ms. Chan did not hold any other directorships in listed public companies in the last three years.

## SENIOR MANAGEMENT

Lee Lap Yan Philip（李立人）, is a Director of project development of Star Properties and is responsible for overall design, project management, project overall planning, implementation of policies and procedures, design quality control and leading and managing the consultants. Mr. Lee has over 16 years of experience in the property development, architectural, building and construction industries. Mr. Lee graduated from the University of Portsmouth, United Kingdom with a degree of Arts in Bachelor of Architecture in June 1992.

Mak Chi Pang Peter（麥志鵬）, is a Director of project development of Star Properties and is responsible for the project management of building services, design quality control, implementation of policies and procedures and managing the consultants. Mr. Mak has over 24 years of experience in building services engineering, lighting design, project management and property development. Mr. Mak graduated with degrees in Bachelor of Engineering (Honours) from University of Manchester UK in 1991, Master of Science in Building Services Engineering from Heriot-Watt University UK in 1992, Master of Science in Architecture with distinction from University College London UK in 1993 and Master of Business Administration from The Chinese University of Hong Kong in 2003. Mr. Mak is a chartered engineer, registered energy assessor and a member of CIBSE, SLL, IET and HKIE.

Tam Kwok Kuen, KK（譚國權）, is a Director of project development of Star Properties and is responsible for the overall construction, project management, project overall planning, implementation of policies and procedures, design quality control, monitoring the progress of the development projects, coordinating with the consultant teams and contractors and handling all other project related activities of the Group. Mr. Tam has over 17 years of experience in construction and engineering field. Before joining Star Properties, Mr. Tam was the deputy project manager of Sanfield (Management) Limited, a subsidiary of Sun Hung Kai Properties Limited. Mr. Tam graduated from the City University of Hong Kong with a Bachelor of Science in Construction Engineering and Management in 2001.

Hui Ying Ying（許瑩瑩）, is a Director of the company secretarial compliance of Star Properties and is responsible for company secretarial matters. Ms. Hui has over 9 years of experience in client services and management. She also has experience in fund and account portfolio administration. Ms. Hui graduated from the Chinese University of Hong Kong and obtained a Bachelor of Business Administration degree in December 2004. Since October 2015, she has been a licensed representative who is licensed to carry out type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO.

The Board is pleased to present this corporate governance report in the Company's annual report for the year ended 31 December 2017 (the "Annual Report").

The Board is committed itself to enhance the standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellent corporate governance.

## CORPORATE GOVERNANCE

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 Rules Governing the Listing of Securities on the Stock Exchange (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 2017.

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. Taking into account the continuation of the implementation of our business plans, our Directors (including our independent non-executive Directors) consider Mr. Chan Man Fai Joe the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our shareholders as a whole.

## THE BOARD

### BOARD COMPOSITION

The Board currently comprises 8 Directors, with 3 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors ("INEDs"). The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of non-executive Directors in the Board bring independent judgement on issues relating to the Group's strategy, performance to ensure that the interests of all shareholders of the Company have been duly considered.

Mr. Lam Kin Kok has resigned as an executive director, authorised representative and member of the risk control committee of the Company and re-designated as a non-executive director with effect from 23 September 2017. He further resigned as a non-executive director with effect from 23 November 2017.

Each of the non-executive Directors has entered into a service contract for a term of 3 years and is subject to termination by either party giving not less than three months' prior written notice to the other. The Board considers that all of the INEDs are independent and has received from each of them the annual confirmations of independence required by the Listing Rules.

During the year, the Board consists of the following Directors and attendance of each Director at four Board meetings of the Company held are set out as follows:

| | Attendance/ Number of Board meetings held during tenure |
|---|---|
| Executive Directors: | |
| Mr. Chan Man Fai Joe | 4/4 |
| Mr. Lam Kin Kok (Re-designated as NED on 23 Sep 2017 and resigned as a Director on 23 Nov 2017) | 3/4 |
| Ms. Cheung Wai Shuen | 4/4 |
| Mr. Liu Hon Wai | 4/4 |
| Non-executive Directors: | |
| Mr. Pong Kam Keung | 4/4 |
| Mr. Yim Kwok Man | 4/4 |
| Mr. Lam Kin Kok (appointed on 23 Sep 2017 and resigned as a Director on 23 Nov 2017) | 3/4 |
| Independent non-executive Directors: | |
| Mr. Shiu Siu Tao | 4/4 |
| Mr. Lee Chung Ming Eric | 4/4 |
| Ms. Chan Wah Man Carman | 4/4 |

The profiles of all Directors are set out on pages 12 to 14 of this annual report. Save as disclosed in this annual report, there is no other relationship among members of the Board, including financial, business, family or other material/relevant relationship.

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of business plans, evaluating the performance of the Group and oversight of management, promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also responsible for determining and reviewing the policies and performance for the corporate governance for the Group. The responsibilities are to develop and review the Group's policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to employees and directors; and to review the Group's compliance with the code and disclosure in the Corporate Governance Report.

The Group's day-to-day management, administration and operation are delegated to the senior management of the Company. It also decides on matters such as annual and interim results, notifiable transactions, Directors appointments or re-appointments and dividend and accounting policies. The Board regularly reviews the functions and duties delegated to the senior management of the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities and to ensure that they are fully aware of their duties and responsibilities under statue and common law, the Listing Rules and the Company's business and governance policies. Continuing briefings and professional development to Directors will be arrange whenever necessary.

The Company has received from each of the Directors a record of training they received during the year ended 31 December 2017. A summary of such training is listed as follows:

| Name of Director | Type of training |
|---|---|
| **Executive Directors** | |
| Mr. Chan Man Fai Joe | A, C |
| Mr. Lam Kin Kok (Re-designated as NED on 23 Sep 2017 and resigned as a Director on 23 Nov 2017) | A, C |
| Ms. Cheung Wai Shuen | A, B, C |
| Mr. Liu Hon Wai | A,C |
| **Non-executive Directors** | B, C |
| Mr. Pong Kam Keung | A, B, C |
| Mr. Yim Kwok Man | A, C |
| Mr. Lam Kin Kok (appointed on 23 Sep 2017 and resigned as a Director on 23 Nov 2017) | |
| **Independent non-executive Directors** | |
| Mr. Shiu Siu Tao | B, C |
| Mr. Lee Chung Ming Eric | A, C |
| Ms. Chan Wah Man Carman | A, B, C |

A: Attending training courses provided by the Group in relation to Ethics for Listed Companies 2017 "Corporate Governance: Compliance and Beyond"

B: Attending training courses and/or seminars conferences, workshops or forums relevant to the Company's business, Listing Rules, etc.

C: Reading journals and updates relevant to the Company's business or directors' duties and responsibilities.

## COMPANY SECRETARY'S TRAINING

Pursuant to Rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. Ms. Cheung Wai Shuen, an Executive Director, was appointed as the Company Secretary of the Company. She has provided her training records to the Company indicating that she has undertaken more than 15 hours of relevant professional development during the year ended 31 December 2017, by means of attending seminars and reading relevant guidance materials.

## BOARD DIVERSITY

The Board has adopted a board diversity policy (the "Policy") on 27 June 2016. This Policy aims to set out the approach to achieve diversity on the Company's Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the Corporate Governance Report annually.

The nomination committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

The nomination committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The nomination committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under Code Provision A.4.1 of the CG Code, all the non-executive Directors should be appointed for a specific term, subject to re-election. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for three years but subject to termination in certain circumstance as stipulated in the relevant service contracts. At each annual general meeting, one third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be eligible for re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparation of the consolidated financial statements for the financial year ended 31 December 2017 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year ended 31 December 2017 and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" contained in this annual report.

## 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 Directors twice a year to draw their attention to the Model Code. The Company made specific enquiries to each Director and received their written confirmation of full compliance with the Model Code for the year ended 31 December 2017.

## BOARD COMMITTEES

The Board has delegated authority to 5 standing committees with specific roles and responsibilities. Their terms of reference and composition are reviewed and updated regularly to ensure that they remain appropriate and reflect changes in good practice and governance. Each committee is required to report to the Board on its decision and recommendations, where appropriate.

### Audit Committee

The audit committee has been established on 27 June 2016 with specific written terms of reference stipulating its authorities and duties in compliance with Rule 3.21 of the Listing Rules, which are available on the websites of the Company and the Stock Exchange. Currently, the audit committee comprises three INEDs, including, Ms. Chan Wah Man Carman (chairman of the audit committee), Mr. Lee Chung Ming Eric and Mr. Shiu Siu Tao.

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 2017. During the year, three audit committee meetings were held to review and discuss, inter alia, with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, as well as internal controls, risk factors and other financial reporting matters, during which all members were present throughout the meetings.

### Auditor's Remuneration

The fees in relation to the audit service provided by Deloitte Touche Tohmatsu, the external auditor of the Company, for the year ended 31 December 2017 amounted to HK$1,010,000 (2016: HK$815,000), and those in relation to non-audit service amounted to HK$792,000 (2016: HK$1,259,000).

The Board or the audit committee is satisfied with, inter alia, the audit fees, effectiveness of the audit process, independence and objectivity of Deloitte Touche Tohmatsu and has recommended to the Board the re-appointment of Deloitte Touche Tohmatsu as the Company's external auditors for the ensuing year at the forthcoming annual general meeting of the Company.

### Remuneration Committee

The remuneration committee has been established on 27 June 2016 with specific written terms of reference stipulating its authorities and duties in compliance with code provision of B.1.2 of the CG Code, which are available on the websites of the Company and the Stock Exchange. Currently, the remuneration committee comprises two INEDs, including, Mr. Shiu Siu Tao (chairman of the remuneration committee) and Ms. Chan Wah Man Carman, and one executive Director, Mr. Chan Man Fai Joe.

The primary roles and functions of the remuneration committee include:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and establishing a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Boards' goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on Directors' fee of the non-executive Directors with reference to the range of remuneration of other non-executive Directors in the similar industry;

(e) to consider salaries paid by comparable companies in the industry in which the Company operates, time commitment and responsibilities, and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment in order to ensure that it is consistent with contractual terms and is otherwise fair and in line with market practice;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the year, one remuneration committee meeting was held to reviewed remuneration policies and structure for the Directors and senior management of the Group, during which all members were present in the meeting.

### Nomination Committee

The nomination committee has been established on 27 June 2016 with specific written terms of reference stipulating its authorities and duties in compliance with code provision A.5.1 of the CG Code, which are available on the websites of the Company and the Stock Exchange. Currently, the nomination committee comprises one non-executive Director, Mr. Yim Kwok Man (chairman of the nomination committee), two INEDs, including, Mr. Shiu Siu Tao and Mr. Lee Chung Ming Eric and one executive Director, Mr. Chan Man Fai Joe.

The primary roles and functions of the nomination committee are as follows:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to recommend to the Board on the appointment or reappointment of Directors and succession planning for Directors in particular the chairman of the Board and the group managing Director;

(c) to identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for Directorships;

(d) to assess the independence of INEDs; and

(e) to make recommendations to the Board concerning:

- formulating plans for succession for both executive and non-executive Directors;
- membership of the Company's audit and remuneration committees, in consultation with the chairmen of those committees; and
- the re-appointment of any non-executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

During the year, one nomination committee meeting was held to review the structure, size, composition and diversity of the Board; and assess the independence of the INEDs, during which all members were present in the meeting.

### Executive Committee

The executive committee was established on 1 November 2016 and it consists of all executive Directors of the Company from time to time. It is responsible for general management, Investment, funding and financing requirements and application, supervising the day-to-day management, performance and operations in accordance with the business strategy of the Group, reviewing strategy and business development initiatives of the Group and monitoring their implementation. Currently, the executive committee comprises three members, including Mr. Chan Man Fai Joe (chairman of the executive committee), Ms. Cheung Wai Shuen and Mr. Liu Hon Wai.

## RISK MANAGEMENT AND INTERNAL CONTROL

The risk control committee was established on 27 June 2016 and it currently comprises two non-executive Directors, including, Mr. Yim Kwok Man (chairman of the risk control committee) and Mr. Pong Kam Keung, and two executive Directors, Mr. Chan Man Fai Joe and Ms. Cheung Wai Shuen, and one INED, Mr. Lee Chung Ming Eric.

The primary responsibilities of the risk control committee include, among others, supervising and monitoring the risks and compliance management system of our Company, including the policies, structure and specific responsibilities. The senior management of the Group, supported by the executive Director, risk control committee, is responsible for the design, implementation and monitoring of the risk management and internal control systems, and for providing regular reports to the Internal audit and executive Director.

The Board has undertaken the overall responsibility for maintaining sound and effective internal control and risk management systems to provide sufficient guidelines for our management staff and employees to work efficiently. Our internal control systems cover various operating processes from risk assessment, financial reporting, cost management, pricing for property projects to staff recruitment and training and maintenance of IT system control on annual basis. During the year under review, the Group internal audit conducted selective reviews of the effectiveness of the systems of risk management and internal control of the Group over financial, operational and compliance controls with emphasis on acquisition process, loan approval procedures, selling of properties, construction cost payment procedure and accounting reporting. Additionally, the heads of major business and corporate functions were required to undertake control self-assessments of their key controls. These results were assessed by Group internal audit and report to the risk control committee and audit committee, which then reviewed and reported the same to the Board.

During the year, two risk control committee meetings were held to reviewed the internal control and risk management of the Group, during which all members were present in the meeting. During the year under review, there were no major issue but areas for improvement have been identified by the risk control committee and audit committee and both internal and external auditors with appropriate measures taken. The Board is of the view that the risk management and internal control systems in place for the year and up to the date of issuance of the annual report is effective and adequate. The Company has appointed Lego Corporate Finance Limited as our compliance adviser on 1 February 2017, which upon enquiry our Company will provide advice and guidance to us with respect to compliance with the Listing Rules. Before we propose to enter into transactions to which Chapters 14 and 14A of the Listing Rules apply, we will consult with the compliance adviser (so long as it remains as the compliance adviser of our Company) and/or seek independent legal advice in relation to the compliance with the relevant requirements under the Listing Rules.

## RELATED PARTY TRANSACTIONS

During the year ended 31 December 2017, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards and the details of the material related party transactions (the "Transactions") are disclosed in note 32 to the consolidated financial statements of this annual report.

Save as disclosed in this annual report, the Transactions falls under the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules, but are fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. Please refer to the paragraph headed "Continuing Connected Transactions" for details of non-exempt continuing connected transactions.

On 11 August 2017, the Company (as the borrower) and Mr. Chan Man Fai Joe ("Mr. Joe Chan") (as the lender), a substantial shareholder and director of the Company had entered into a facility agreement, pursuant to which Mr. Joe Chan agreed to lend the Company up to HK$60,000,000 in aggregate a revolving loan amount which was unsecured with interest rate at 2.9%p.a. for 2 years terms upto 10 August 2019. In the view of the Board, the loan agreement constitutes a connected transaction in the form of financial assistance in favour of the Company. However, as the loan is not secured by any assets of the Company and the Group, and as the Directors consider that the revolving loan are made on arm's length basis and on normal commercial terms and are made in the ordinary and usual course of business of the Group and are fair and reasonable and in the interest of the shareholders of the Company as a whole, the Loan is fully exempted from the shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 Listing Rules.

## SHAREHOLDERS' RIGHTS

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholders") shall at all times have the right, by a written requisition signed by the Eligible Shareholders concerned (the "Requisition"), to require the Board to convene an extraordinary general meeting, and to put any resolution so requisitioned to vote at such extraordinary general meeting.

Eligible Shareholders who wish to requisition the Board to convene an extraordinary general meeting for the purpose of proposing a resolution at the extraordinary general meeting must deposit the Requisition at the principle place of business of the Company in Hong Kong at Unit 1203A, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the names of the Eligible Shareholders concerned, specify the objects of the meeting, and be signed by the Eligible Shareholders concerned. The Eligible Shareholders must prove their shareholdings in the Company to the satisfaction of the Company.

The Company will check the Requisition and the identities and the shareholdings of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order and in compliance with the memorandum and articles of association of the Company, the Board will within 21 days of the date of deposit of the Requisition, proceed duly to convene an extraordinary general meeting to be held within two months of the date of deposit of the Requisition, for the purpose of putting any resolution(s) proposed by the Eligible Shareholders to vote at such extraordinary general meeting. However, if the Requisition has been verified as not in order and not in compliance with the memorandum and articles of association of the Company, the Eligible Shareholders concerned will be advised of this outcome and accordingly, the Board will not convene an extraordinary general meeting and will not put any resolution(s) proposed by the Eligible Shareholders to vote at any such extraordinary general meeting or any other general meeting of the Company.

If within 21 days of the date of deposit of the Requisition, the Board has not advised the Eligible Shareholders that the Requisition is not in order and not in compliance with the memorandum and articles of association of the Company, and the Board has failed to proceed to convene an extraordinary general meeting, the Eligible Shareholders himself or themselves may proceed to convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Board in accordance with the memorandum and articles of association of the Company. All reasonable expenses incurred by the Eligible Shareholders concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholders concerned by the Company.

## PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Pursuant to article 113 of the article of association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

## PROCEDURES FOR PUTTING ENQUIRIES TO THE COMPANY AND CONTACT DETAILS

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to directors or management of the Company. Such questions, requests and comments can be addressed to the Company by mail to Unit 1203A, 12/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong or by email to enquiry@starproperties.com.hk. Shareholders should direct their questions about their shareholdings by mail to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by telephone at (852) 2980-1333, who has been appointed by the Company to deal with Shareholders for share registration and related matters.

## SHAREHOLDERS' RELATIONS AND COMMUNICATION

The Company has adopted a shareholders' communication policy on 27 June 2016 reflecting mostly the current practices of the Company for the communication with its shareholders. Information will be communicated to shareholders through:

– The annual shareholders' meetings and other shareholders' meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholder participation.
– The Company encourages and supports shareholder participation in shareholders' meetings. Shareholders are encouraged to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings.
– Mechanisms for enabling shareholder participation will be reviewed on a regular basis by the Board to encourage the highest level of participation.
– Chairman of the Board, appropriate members of the Board committees and the external auditor of the Company will attend the annual shareholders' meetings to answer questions from the shareholders.

## WHISTLEBLOWING POLICY

The Company has adopted a whistleblowing policy on 27 June 2016 to facilitate the achieving of highest possible standards of openness, probity and accountability. Procedures are formulated to enable individual employees to disclose internally and at a high level, information which the individual believes that it shows malpractice or impropriety within the Group. The audit committee has overall responsibility for this policy, but has delegated day-to-day responsibility for overseeing and implementing it to the designated senior officer: company secretary. Responsibility for monitoring and reviewing the operation of the policy and any recommendations for action resulting from investigation into complaints lies with the audit committee. During the year ended 31 December 2017 and up to the date of this report, no incident of fraud or misconduct was reported from employees that have material effect on the Group's financial statements and overall operations.

## INSIDE INFORMATION

The Company regulates the handling and dissemination of inside information as set out in the corporate governance policy to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

## CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of our Company was adopted on 27 June 2016. A consolidated version of the memorandum of association of the Company is available on the website of the Company.

## FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, statutory requirements and other regulatory requirements. As at 31 December 2017, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

A statement by the auditors about their reporting responsibilities is set out on pages 45 to 48 of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## REPORTING SCOPE AND STANDARD

This is the Environmental, Social and Governance ("ESG") Report prepared by the Group pursuant to the ESG Reporting Guide provided in Appendix 27 to the Listing Rules on the Stock Exchange of Hong Kong Limited. This report covers our operation in Hong Kong for the financial year end 31 December 2017 and discloses information on the Group's ESG management approach, strategy, priorities, objectives, compliance with the relevant laws and regulations and our performance.

The Board has overall responsibility for the Group's ESG strategy and reporting and has determined to integrate the ideas of environmental and social responsibility into the Group's operation and management activities. The Board has reviewed and approved this ESG report.

## STAKEHOLDERS ENGAGEMENT

The Group endeavours to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, contractors, customers, contractors and the wider community. We continue to interact with our stakeholders on ongoing basis in order to understand their views and collect their feedback. Our communication channels with our stakeholders include company website, annual general meeting, staff meetings, contractor meetings, direct engagement with our customers, etc.

## A. ENVIRONMENTAL

The Group has introduced Green Office Programme (the "Programme") to reduce the energy consumption in daily office operation and enhance the efficiency of use of resources. A summary of the Programme is shown as below:

- Widespread adoption of multi-function photocopiers (with printing, scanning and fax functions).
- Encourage employees to take the most efficient travelling method.
- "Switch-off" policy for all idle equipment; encouraging employees to switch off (or onto energy-saving mode) computers, monitors and other electrical appliances at the end of the working day or other times when they are not in use.
- Optimize use of natural light in offices and maintain the office temperature at 25 degree, which reduce the usage of excess electricity energy for lighting and air-conditioning.
- Minimize the use of paper by encouraging double side printing, paper recycling.
- Promote paperless environment by encouraging the use of soft and electronic copy for the document instead of hard copy.

## 1. EMISSION — MEASURES TO REDUCE CARBON EMISSION INCLUDE:

The Group's business does not generate significant greenhouse gas emissions as the emissions are indirectly and principally resulting from consuming electricity at the workplace, vehicles and business travels by employees. The discharge into water and land, and generation of hazardous and non-hazardous waste during our course of operations is minimal.

Electricity consumed by the Group's office in its normal business operation is supplied by The HK Electric Co., Ltd. The electricity consumption by the Group at its office was approximately 9,248 kWh, producing $CO_2$ equivalent emissions of approximately 7,306 kg and an energy consumption intensity of approximately 4.61 kWh per square feet during the year.

The Group encourages employees to go paperless as much as possible by liming print outs as well as communicating via e-mail as opposed to fax. Employees are also encouraged to re-use paper and conserve paper usage by printing double-sided to the extent practicable. During the year, the Group used a total of approximately 267.87 thousand of paper in its normal business operations of which approximately 62.50 thousand of paper were attributable to the printing of the 2016 annual report, annual general meeting circular and proxy forms distributed to shareholders. In order to decrease the paper consumption, the Group has taken green approach by adopting the electronic way to send the corporate communications documents to the non-registered shareholders unless the non-registered shareholders indicated their wishes to receive the printed version of the corporate communications since the dispatch of 2016 interim report.

### Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

## 2. USE OF RESOURCES

We have undertaken various recourse saving measures as mentioned in the guidelines of our Programme to demonstrate our efforts in efficient use of resources in our daily operations. Employees are encouraged to optimize resources to help the Group to minimize the impact on the environment and natural resources e.g. use of public transportation. The Group rents one private motor vehicle that runs on petrol gas. During the year, a total of approximately 5,706.13 litres of petrol was used for the motor vehicle.

Although non-significant amounts of water is consumed through the business activities, the Group also encourages water saving by driving water-saving habits and posting green messages in the workplace to remind the employees to use water effectively.

## 3. THE ENVIRONMENTAL AND NATURAL RESOURCES

The Group's operational activities do not have significant impacts on the environment and natural resources, and the Company shall ensure compliance with all applicable environmental related legislations and regulations.

The environmental protection measures we have adopted includes conducting environmental assessments on our property construction projects and hiring construction contractors who have good environmental protection and safety track records and requiring them to comply with the relevant laws and regulations on environmental protection and safety.

## B. SOCIAL ASPECT

### 1. EMPLOYMENT AND LABOUR PRACTICES

The Group offer competitive remuneration packages to our employees, with discretionary bonuses issued based on individual performance and our business performance. The Group also provides medical insurance coverage for our employees.

Our human resources practices are established to align with the applicable laws and regulations with regard to recruitment, compensation and dismissal, other benefits and welfare, promotion, working hours, equal opportunities, diversity and anti-discrimination. The Group embraces diversity and provides employees with equal opportunity. Employees are assessed and hired based on their capabilities, regardless of their age, gender, nationality, cultural background, religious belief, etc. During the financial year end 31 December 2017, the Group complied with Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and other labour related laws and regulations.

### 2. HEALTH AND SAFETY

The Group is subject to the health and safety requirements of Hong Kong including, but not limited to, the Occupational Health and Safety Ordinance and the Factories and Industrial undertakings Ordinance. The Board believes that it is in substantial compliance with such requirements for the financial year ended 31 December 2017. The Group's liability to the employees is covered by insurance, which are required by law to take out. The Board further confirmed that there was no material violation of currently applicable safety regulations nor were there any material employee safety issues involving the Group. For the financial year ended 31 December 2017, no fines or penalties for non-compliance of safety laws and regulations were imposed on the Group.

The Group does not have an insurable interest in relation to the employees of the contractors. The contractors are required by law to take out insurance which covers their liabilities to their employees. However, our strict quality control measures require our contractors to comply with the relevant rules and regulations including environmental, labour, social and safety regulations to minimize our risks and liabilities.

### 3. DEVELOPMENT AND TRAINING

To help nurture professional talents and to promote overall efficiency, increase the morale and loyalty of the employees, the Group provides on-the-job training, professional membership reimbursements and assists our employees in completing the mandatory basic safety training courses and fulfilling the continuous professional training hour requirement. Our employees are also encouraged to pursue work-related advanced studies and attend seminars and workshops to hone their skills.

### 4. LABOUR STANDARDS

The Group is committed to protecting human rights. The Group complies with all relevant laws and regulations towards the use of forced labor and child labor in our business operations. The Group aims not to be directly or indirectly complicit in human rights abuses and to ensure that all work that is performed on our behalf is in compliance with all relevant labor laws and regulations.

## 5. SUPPLY CHAIN MANAGEMENT

The Group outsourced different parts of the construction work to qualified general construction contractors. These contractors are registered licensed building contractor certified by the Buildings Department. Contractors are selected based on the project size, capability, contractors' qualification and relevant experience. The Group would also take into account the reputation of the contractors for reliability, quality and safety, price quotations, level of experience, technical capabilities, industry reputation and the references provided in the selection process. The Group requires our contractors to comply with the relevant rules and regulations including environmental, labour, social and safety regulations to minimize our risks and liabilities. The project development department monitors cost control and construction progress closely during construction with periodic on-site supervision and stringent quality control procedures.

## 6. PRODUCT RESPONSIBILITY

The Group places great emphasis on the quality control of the construction of our properties, including the procurement of construction materials, materials for external finishes, interior finishes and interior fittings, and appliances for our property development projects, to ensure compliance with our quality standard. The Group places emphasis on project supervision to ensure that our project development projects meet our quality standards and comply with the relevant laws and regulations.

Quality control starts with the selection of qualified construction contractors. Most of our major contractors engaged by us had industry accreditations such as ISO 9001, ISO14001 and/or OHSAS 18001. The Group inspects and reviews the qualification and performances of the contractors regularly to ensure they are performing up to our standards and in compliance with the laws and regulations. Our project development department conducts pre-qualification checks on the construction companies and periodically reviews based on our experience in doing business with them. Further, it is our responsibility of our contractors to procure construction materials, materials for external finishes, interior finishes and interior fittings, and appliances for our property development projects, they are required to procure, inspect or test any materials or goods materials to ensure they meet our requirements and specifications in accordance with relevant laws, rules and requirements of the relevant government authorities, for example, the contractors are required to arrange testing of sample of concrete at laboratories, and submit the test report to the government for approval; for other materials such as iron and steel, the contractors are required furnish to us information such as the origin, price and the relevant production certificates to ensure that the quality complies with our requirement, and all materials and types, standards, quality of the raw materials must also be in the satisfaction of the architectural firm.

Our consultants conduct periodic quality checks on the building materials and workmanship on site. Our consultants also monitor the on-site progress, submit monthly progress reports to our project development department and conduct regular inspection of our construction sites to ensure quality and safety.

As part of our quality control policy, we would also require our purchasers to acknowledge and sign on a property handover form, confirming that they have received and are satisfied with the items ancillary to the unit, such as keys, fitting and fixtures. We provide comprehensive after-sale services including handling customer complaints and supervising the repair and ongoing maintenance of the property developed. The Group also requires the contractors to provide a defect liability period, which normally lasts for one year upon completion, during which any defects of the property reported by the property manager and customers will be forwarded to the main contractor for followup and rectification with no additional costs.

As at the year ended 31 December 2017, the Group was not aware of any incidents of non-compliance with relevant laws and regulations that have a significant impact on the issue relating to health and safety, advertising, labelling and privacy matters relating to products provided and methods of redress.

## 7. ANTI-CORRUPTION

The Group adheres to stringent anti-corruption policies as stated in the Group's Office Manual that includes Integrity of Business Practices, ethical standard, conflicts of interest, breach of conduct, handling of confidential information and legal requirement on prevention of bribery and against corruption. The Group has adopted best practices with respect to whistle-blowing. Details of our whistle-blowing policy and procedures are published on our Company website. No cases of corruption were reported within the Group during the financial year ended 31 December 2017.

The Group has complied with relevant laws and regulations including Hong Kong's "Prevention of Bribery Ordinance". During the year ended 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

## 8. COMMUNITY INVESTMENT

The Group targets to dedicate itself to take up its corporate social responsibility for the communities where it is present. The Group has addressed its community concerns through engaging in charity donation and encouraging the employees to participate in community activities. The Group also believes that, as part of our corporate social responsibilities, institutions should do more to support and encourage young people in Hong Kong to pursue their passions and dreams. The Group has invested in startup accelerator program to support the potential startups in Hong Kong and incorporated "follow your dreams" concept into our sponsored concerts.

# REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The principal activities of the Group comprise property development and property investment, provision of property management services and provision of finance businesses, details of which are set out in note 5 of the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 4 March 2016. The Group underwent a reorganization (the "Reorganisation") to rationalise the structure of the Group in preparation for the initial public offering of the shares of the Company on the Main Board of the Stock Exchange (the "Share Offer"). Details of the Reorganisation are set out in the Company's prospectus dated 30 June 2016 in respect of the Share Offer.

The shares of the Company were listed on the Main Board of the Stock Exchange by way of the Share Offer with effect from 13 July 2016 (the "Listing Date").

## BUSINESS REVIEW

Discussion and analysis of the Group's business as required by Schedule 5 of the Companies Ordinance, including a fair review of the Group's business; a description of the principal risks and uncertainties facing the Group; analysis using financial key performance indicators; particulars of important events affecting the Group that have occurred during the year ended 31 December 2017 (if any); and an indication of likely future developments in the Group's business, are included in the Chairman Statement and Management Discussion and Analysis set out in this annual report on page 4 and pages 5 to 11 respectively. The discussion and analysis form part of this Report of the Directors.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group continued to incorporate social, economic and environmental risks and benefits into our business decision-making and into the inception, design, construction, occupation, demolition and revitalization phases of our development projects. The Group works closely with our consultants to achieve creative, innovative and elegant designs while being compatible and sensitive to our environmental and social responsibilities. The construction-related works for our property development projects are outsourced to independent construction companies who are subject to various environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control, drainage control and noise control.

The Group has taken measures to promote environmental-friendliness of the workplace by encouraging paper recycling culture, water conservation measures and energy-saving culture within the Group to reduce the impact of operations on the environment and natural resources.

## COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is concerned, the Group has complied in material aspects in the relevant applicable laws and regulations that have a significant impact on the businesses and operations of the Group during the year.

## RELATIONSHIP WITH EMPLOYEE, CUSTOMERS AND SUPPLIERS

The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. The total remuneration of employees includes basic salaries and discretionary bonuses. Moreover, the Group has also adopted a share option scheme. The remuneration policy of the Directors are reviewed and determined by the remuneration committee having regard to the Directors' experience, responsibilities, workload and time devoted to the Group and performance of the Group.

Major customers of the Group are purchasers. The Group strives to develop and deliver high quality property units with innovative and elegant designs to our customers in general. In order to realise the Group's pledge of enhancing customer satisfaction persistently, the Group has assured to adopt the best concepts and the best quality of products in development projects.

The major service providers of the Group are contractors, architectural firms, law firms, and consultancy services providers. The Group has good cooperation relationship with suppliers in general, and strategic cooperation agreements have been signed with a number of high quality suppliers for the realization of higher quality in construction work and materials supplied. The Group will uphold the win-win principle to achieve joint developments with suppliers in general.

## RESULTS

The results of the Group for the year ended 31 December 2017 and the Group's the financial position at that date are set out in this Annual Report on pages 49 to 51. The summary of the result of the assets and liabilities of the Group for the last five financial years are also set out on page 122 in this annual report.

## DIVIDENDS

No interim dividends were paid during the year. The Board now recommends a final dividend of HK5.6 cents per share in respect of the year ended 31 December 2017. Subject to approval by the shareholders of the Company at forthcoming annual general meeting, such dividends will be payable on or about 26 April 2018.

## CLOSURE OF REGISTER

The register of members of the Company will be closed from Thursday, 12 April 2017 to Tuesday, 17 April 2017, both days inclusive, and no transfer of shares of the Company will be registered in such period. In order to qualify for attending and voting at the Annual General Meeting ("AGM"), all transfers of Shares accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4: 30 p.m. on Wednesday, 11 April 2017.

## BORROWING FACILITIES

Particulars of the borrowing facilities of the Group as at 31 December 2017 are set out in note 22 of the consolidated financial statements.

## PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

## INVESTMENT PROPERTIES AND PROPERTIES HELD FOR SALE

Details of investment properties and properties held for sale of the Group during the year are set out in notes 14 and 18 to the consolidated financial statements respectively.

## SHARE CAPITAL

Particular of the movements in share capital of the Company are set out in note 23 to the consolidated financial statements.

## RESERVES

The movements in reserves of the Group and the Company during the year are presented in the consolidated statement of changes in equity on page 52 and in note 34 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the largest supplier and the top five largest suppliers accounted for approximately 37.2% and 73% of our total cost incurred of the Group during the year respectively. Our top five suppliers comprised contractors, property agency, architectural firm and consultancy service provider. For the year ended 31 December 2017, the revenue generated from the largest customer and the top five largest customers of the Group represented approximately 2% and 6% of the total revenue of the Group during the year respectively. Our top five customers were one-off purchasers for the completed units of The Star.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

## DIRECTORS

The Directors of the Company who held office during the year and up to the date of this annual report were:

**Executive Directors:**
Mr. Chan Man Fai Joe
Mr. Lam Kin Kok (Re-designated as NED on 23 Sep 2017 and resigned as a Director on 23 Nov 2017)
Ms. Cheung Wai Shuen
Mr. Liu Hon Wai

**Non-executive Directors:**
Mr. Pong Kam Keung
Mr. Yim Kwok Man
Mr. Lam Kin Kok (Re-designated as NED on 23 Sep 2017 and resigned as a Director on 23 Nov 2017)

**Independent non-executive Directors:**
Mr. Shiu Siu Tao
Mr. Lee Chung Ming Eric
Ms. Chan Wah Man Carman

The profiles of all Directors are set out on pages 12 to 14 of this annual report. At each annual general meeting one-third of the Directors for the current time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. As such, the term of office of each Director has been specified under the articles of association.

The Company has received confirmation from each of the INEDs as regards their independence to the Company for the year pursuant to Rule 3.13 of the Listing Rules and considers that each of the INEDs is independent to the Company.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2017, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time ("SFO")) which were notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

| Name of our Directors/ chief executive | Number of ordinary shares | Interests in Share Option (Note 2) | Total | Approximate percentage of shareholding interests in our Company (%) (Note 3) |
|---|---|---|---|---|
| **Executive Director** | | | | |
| Mr. Chan Man Fai Joe | 432,140,800 (Note 1) | 4,704,000 | 436,844,800 | 69.65 |
| Ms. Cheung Wai Shuen | | 4,704,000 | 4,704,000 | 0.75 |
| Mr. Liu Hon Wai | | 4,704,000 | 4,704,000 | 0.75 |
| **Non-executive Directors** | | | | |
| Mr. Yim Kwok Man | | 470,400 | 470,400 | 0.08 |
| Mr. Pong Kam Keung | | 470,400 | 470,400 | 0.08 |
| **Independent non-executive Directors** | | | | |
| Ms. Chan Wah Man Carman | | 470,400 | 470,400 | 0.08 |
| Mr. Lee Chung Ming Eric | | 470,400 | 470,400 | 0.08 |
| Mr. Shiu Siu Tao | | 470,400 | 470,400 | 0.08 |

*Notes:*

1. *Star Properties Holdings (BVI) Limited is the registered or beneficial owner of these shares. Star Properties Holdings (BVI) Limited is wholly-owned by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the same parcel of shares in which Star Properties Holdings (BVI) Limited is interested.*

2. *These represent the interests of share options granted to the Directors under the share option scheme adopted by the Company on 27 June 2016 to subscribe for shares.*

3. *These percentages were compiled based on the total number of issued shares (i.e. 627,200,000 shares) at 31 December 2017.*

Save as disclosed above, as at 31 December 2017, none of our Directors or chief executive of our Company had registered an interest or short positions in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The Company has entered into service contracts with each of our executive Directors and non-executive Directors and a letter of appointment with each of our INEDs, major terms of which include that (1) the tenure of each Director shall continue till the expiration of the term of the current session of the Board of Directors; and (2) the tenure may be terminated in accordance with respective terms of the contract. The service contracts may be renewed under the Articles of Association and applicable rules.

Save as disclosed above, none of the Directors has entered into a contract of service with the Company which is not determinable by the Company within one year without payment of compensation, other than statuary compensation.

## DIRECTORS' MATERIAL INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

Save as disclosed in notes 9 and 32 to the consolidated financial statements, none of the Directors had any direct or indirect material interest in any significant contract, transaction and arrangement with the Group during or at the end of the year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, none of the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company, including their spouses and children under 18 years of age, to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations, within the meaning of Part XV of the SFO.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, so far as our Directors are aware, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders, other than those disclosed in the section headed "Directors' Interests in Securities", had notified the Company and the Stock Exchange of relevant interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of substantial Shareholder | Capacity/ nature of interest | Number of ordinary shares and underlying shares held | Interests in share Option | Approximate percentage of shareholding interests in our Company (%) (Note 4) |
|---|---|---|---|---|
| Mr. Chan Man Fai Joe | Interest of controlled corporation *(Note 2)* | 432,140,800 *(Note 1)* | | 68.90% |
| | Beneficial owner | | 4,704,000 *(Note 1)* | 0.75% |
| Star Properties Holdings (BVI) Limited | Beneficial owner *(Note 2)* | 432,140,800 *(Note 1)* | | 68.90% |
| Mr. Lam Kin Kok | Interest of controlled corporation *(Note 3)* | 38,259,200 *(Note 1)* | | 6.10% |
| | Beneficial owner | | 4,704,000 *(Note 1)* | 0.75% |
| Eagle Trend (BVI) Limited | Beneficial owner *(Note 3)* | 38,259,200 *(Note 1)* | | 6.10% |

*Notes:*

1. *All the interest stated above represent long positions.*

2. *Star Properties Holdings (BVI) Limited is an investment holding company incorporated on 3 March 2016 in the BVI with limited liability and is wholly owned by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in all shares in which Star Properties Holdings (BVI) Limited is interested.*

3. *Eagle Trend (BVI) Limited is an investment holding company incorporated on 29 February 2016 in the BVI with limited liability and is wholly-owned by Mr. Lam Kin Kok. By virtue of the SFO, Mr. Lam Kin Kok is deemed to be interested in all shares in which Eagle Trend (BVI) Limited is interested.*

4. *These percentages were compiled based on the total number of issued shares (i.e. 627,200,000 shares) at 31 December 2017.*

## NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDER

Mr. Chan Man Fai Joe, the controlling shareholders of the Group, had entered into a Deed of non-competition in favour of the Company on 27 June 2016. Mr. Chan Man Fai Joe has confirmed in writing with the Company that he has complied with the undertakings under the Deed of non-competition during the period from the date of signing the Deed of Non-competition until 31 December 2017. The INEDs have also reviewed such confirmations on the undertakings of the Deed of Non-competition by Mr. Chan Man Fai Joe during the period from the date of signing the Deed of Non-competition until 31 December 2017 and confirmed that there was no breach of undertakings in the Deed of Non-competition by Mr. Chan Man Fai Joe.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules during the year.

## SHARE OPTION SCHEME

The Company's share option scheme was conditionally adopted on 27 June 2016 (the "Share Option Scheme"). The purposes of the Share Option Scheme are to (1) recognise and acknowledge the contributions that Eligible Participants had made or may make to the Group; (2) provide the Eligible Participants (as defined below) with an opportunity to acquire proprietary interests in our Company with the view to motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group.

On 25 January 2017, the Group announced the granting of a total of 12,432,000 share options to selected employee and directors under the Share Option Scheme. The exercise price of the granted options is HK$2.06 per share. The number of share options and exercise price were adjusted as a result of the bonus issue and open offer on 19 May 2017 and 11 September 2017 respectively. After the adjustment, the number of share options is 26,107,200 shares and the exercise price of the granted options is HK$0.98 per share. No share options were exercised or forfeited during the year ended 31 December 2017. Details of accounting policies adopted for the share options are described in Note 3 and Note 24 to the consolidated financial statements. Details of bonus issue and open offer were set out in the announcement of the company dated 19 May 2017 and 8 September 2017 respectively.

### ELIGIBLE PARTICIPANTS

(a) Our Board may at its discretion grant options to: (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

(b) In order for a person to satisfy our Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).

(c) Each grant of options to a connected person (as defined in the Listing Rules) of our Company, or any of his associates (as defined in the Listing Rules), must be approved in accordance with the requirements of the Listing Rules.

(d) Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to certain requirement as stated in the Share Option Scheme.

## TOTAL NUMBER OF SECURITIES AVAILABLE FOR ISSUE

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed either (i) 30% of the issued share capital of our Company from time to time or (ii) 10% of the issued share capital of the Company as at the Listing Date (without taking into account the Shares which may be issued and allotted pursuant to the exercise of the Overallotment Option and the options which may be or have been granted under the Share Option Scheme) unless Shareholders' approval has been obtained. No options may be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.

As at the date of this Annual Report, the issued share capital of the Company is HK$6,272,000, divided into 627,200,000 Shares, all fully paid or credited as fully paid.

## MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the twelve-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of our Company as at the date of such grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.

## TIME OF EXERCISE OF OPTION

Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

However, at the time of granting any option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

## PERIOD OF THE SHARE OPTION SCHEME

Options may be granted to Eligible Participants under the Share Option Scheme during the period of ten years commencing on the effective date of the Share Option Scheme. Details of the Share Option Scheme are set out in section headed Share Option Scheme in the Prospectus dated 30 June 2016.

## ACCEPTANCE OF THE SHARE OPTION

A nominal consideration of HK$1.00 is payable on or before the last day for acceptance of the option by each grantee of the Share Option Scheme.

## BASIS FOR DETERMINATION THE EXERCISE PRICE

The exercise price for any share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee (in the letter containing the offer of the grant of the option) and shall not be less than the highest of:

(a) the closing price of a share as stated in the Stock Exchange of Hong Kong Limited ("Stock Exchange")'s daily quotations sheet on the date of grant of the relevant option, which must be a business day;

(b) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date of grant of the relevant option; and

(c) the nominal value of a share on the date of grant.

## THE REMAINING LIFE OF THE SCHEME

Approximately 8 years (expiring on 27 June 2026).

During the year, 12,432,000 share options with exercise price of HK$2.06 per share were granted to certain directors and employees on 25 January 2017. These share options are with vesting period from 25 January 2017 to 24 January 2018 and are exercisable from 25 January 2018 to 12 July 2026. After the bonus issue in May 2017 and open offer of shares in September 2017, the number and exercise price of the share options are adjusted to 26,107,200 share options and HK$0.98 per share. Details of the bonus issue and open offer were set out in the announcement of the Company dated 19 May 2017 and 11 September 2017, respectively.

The adjusted closing price of the shares on 24 January 2017, being the trading date immediately before the relevant date of the grant, was HK$1.00.

## DETAILS OF THE MOVEMENTS IN THE COMPANY'S SHARE OPTIONS DURING THE YEAR ENDED 31 DECEMBER 2017 ARE SET OUT BELOW:

| Name or category | Date of grant of share options | Exercisable period | Exercise price of share option (adjusted) (Note 2) | Outstanding as at 1 January 2017 | Granted during the year | Exercised during the year | Adjusted during the year (Note 2) | Cancelled during the year | Lapsed during the year | Outstanding at 31 December 2017 | Approximate percentage of the issued shares of the Company |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | | | |
| Mr. Chan Man Fai Joe | 25 January 2017 | 25 January 2018 to 12 July 2026 | HK$0.98 | – | 2,240,000 | – | 2,464,000 | – | – | 4,704,000 | 0.75% |
| Ms. Cheung Wai Shuen | 25 January 2017 | 25 January 2018 to 12 July 2026 | HK$0.98 | – | 2,240,000 | – | 2,464,000 | – | – | 4,704,000 | 0.75% |
| Mr. Liu Hon Wai | 25 January 2017 | 25 January 2018 to 12 July 2026 | HK$0.98 | – | 2,240,000 | – | 2,464,000 | – | – | 4,704,000 | 0.75% |
| **Non Executive Director** | | | | | | | | | | | |
| Mr. Yim Kwok Man | 25 January 2017 | 25 January 2018 to 12 July 2026 | HK$0.98 | – | 224,000 | – | 246,400 | – | – | 470,400 | 0.08% |
| Mr. Pong Kam Keung | 25 January 2017 | 25 January 2018 to 12 July 2026 | HK$0.98 | – | 224,000 | – | 246,400 | – | – | 470,400 | 0.08% |
| **Independent Non Executive Director** | | | | | | | | | | | |
| Mr. Shiu Siu Tao | 25 January 2017 | 25 January 2018 to 12 July 2026 | HK$0.98 | – | 224,000 | – | 246,400 | – | – | 470,400 | 0.08% |
| Mr. Chan Wah Man Carman | 25 January 2017 | 25 January 2018 to 12 July 2026 | HK$0.98 | – | 224,000 | – | 246,400 | – | – | 470,400 | 0.08% |
| Mr. Lee Chung Ming Eric | 25 January 2017 | 25 January 2018 to 12 July 2026 | HK$0.98 | – | 224,000 | – | 246,400 | – | – | 470,400 | 0.08% |
| **Substantial Shareholder/ contractor** | | | | | | | | | | | |
| Mr. Lam Kin Kok | 25 January 2017 | 25 January 2018 to 12 July 2026 | HK$0.98 | – | 2,240,000 | – | 2,464,000 | – | – | 4,704,000 | 0.75% |
| **Other Employees** | | | | | | | | | | | |
| Other Employees | 25 January 2017 | 25 January 2018 to 12 July 2026 | HK$0.98 | – | 2,352,000 | – | 2,587,200 | – | – | 4,939,200 | 0.79% |

*Notes:*

1. *These options represent personal interest held by the grantees as beneficial owners.*

2. *The number of outstanding share options and exercise price were adjusted as a result of the bonus issue and open offer of the Company on 19 May 2017 and 11 September 2017, respectively. The details of the bonus issue and open offer were set out in the announcements of the Company dated 19 May 2017 and 11 September 2017, respectively.*

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands where the Company is incorporated.

## PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2017, pursuant to the Articles of Association of the Company, every Director and other officers shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of the duties of their duty, or supposed duty in their respective office or otherwise in relation thereto. The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

## CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard in corporate governance practice. For the year ended 31 December 2017, the Company has complied with the code provisions under 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 individual. Information about the corporate governance practice adopted by the Company is set out in the Corporate Governance Report on pages 15 to 24 of this Annual Report.

## CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 32 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the continuing connected transactions of the Company and its subsidiaries during the year under review, certain of which are ongoing.

***Continuing connected transactions subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement***

## SALE OFFICE LICENSE AGREEMENT

Spring Moon Investments Limited, an indirect wholly owned subsidiary of the Company, as the licensee, entered into the Sale Office License Agreement with Metropolitan Workshop Limited on 13 November 2017, pursuant to which Metropolitan Workshop Limited as the licensor has agreed to lease the Sale Office to Spring Moon Investments Limited as a show room and sale office for the project of The Rainbow. The annual cap of the transaction contemplated under the agreement for the year ended 31 December 2017 and 2018 is HK$477,120 and HK$596,400 respectively.

Metropolitan Workshop Limited is a company incorporated in Hong Kong and 90% of the total number of issued shares is ultimately held by Mr. Chan Man Fai Joe, the chairman and chief executive director and controlling shareholder of the Company. The principal activity of Metropolitan Workshop Limited is provision of workshops for rental.

During the year under review, the amount of sale office license agreement is HK$477,120, which did not exceed the annual caps for these transactions.

## DIRECTOR'S QUARTER LEASE AGREEMENT

Star Properties (H.K.) Limited (an indirect wholly-owned Subsidiary of the Company) entered into a lease agreement with Vogue Town Limited on 1 January 2017, pursuant to which the Group agreed to lease a premise for a Director's quarter with monthly rental rate of HK$150,000. The annual caps of the transaction contemplated under the Director's Quarter Lease Agreement for the years ended 31 December 2017 and 2018 is HK$1.8 million and HK$1.8 million respectively.

Vogue Town Limited is a company incorporated in Hong Kong and wholly owned by Mr. Chan Man Fai Joe, the chairman and chief executive director and controlling shareholder of the Company. The principal activity of Vogue Town Limited is property holding.

During the year under review, the amount of Director's quarter lease agreement is HK$1,800,000, which did not exceed the annual caps for these transactions.

## STAR FINANCE OFFICE LICENSE AGREEMENT

Star Finance (H.K.) Limited (an indirect wholly-owned Subsidiary of the Company) entered into license agreements with Sunny Generation Limited and Metropolitan Workshop Limited on 15 August 2016 and 1 September 2017 respectively, pursuant to which the Group agreed to lease certain office space for Star Finance (H.K.) Limited for a term of 1 year with monthly rental rate of HK$8,800 under the current agreement. The annual caps for the transactions contemplated under the Star Finance Office License Agreements for the years ended 31 December 2017 and 2018 is HK$160,000 and HK$105,600 respectively.

Sunny Generation Limited is a company incorporated in Hong Kong and wholly owned by Mr. Chan Man Fai Joe, the chairman and chief executive director and controlling shareholder of the Company. The principal activity is property holding. Metropolitan Workshop Limited is a company incorporated in Hong Kong and 90% of the total number of issued shares is ultimately held by Mr. Chan Man Fai Joe, the chairman and chief executive director and controlling shareholder of the Company. The principal activity of Metropolitan Workshop Limited is provision of workshops for rental.

During the year under review, the amount of Star Finance office license agreement is HK$160,000, which did not exceed the annual caps for these transactions.

## MOTOR VEHICLE LICENSE AGREEMENT

Star Properties (H.K.) Limited (an indirect wholly-owned Subsidiary of the Company) also entered into an agreement with Metropolitan Lifestyle (H.K.) Limited and Vogue City Limited on 1 January 2017 and 1 October 2017 respectively, pursuant to which the Group agreed to rent a motor vehicle for a term of 2 years with monthly rental rate of HK$5,000. The annual caps of the transaction contemplated under Motor Vehicle License Agreement for the years ended 31 December 2017 and 2018 is HK$60,000 and HK$60,000 respectively.

Metropolitan Lifestyle (H.K.) Limited and Vogue City Limited are both companies incorporated in Hong Kong and wholly owned by Mr. Chan Man Fai Joe, the chairman and chief executive director and controlling shareholder of the Company. The principal activity of Metropolitan Lifestyle (H.K.) Limited is investment holding and the principal activity of Vogue City Limited is property holding.

During the year under review, the amount of motor vehicle license agreement is HK$50,000, which did not exceed the annual caps for these transactions.

***Opinion from the independent non-executive Directors on the connected transactions***

The Directors (including all independent non-executive Directors) have reviewed the above connected transactions and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) under normal commercial terms or better; and

(3) in accordance with the agreements related to the above continuous connected transactions, the terms of which were fair and reasonable and for the overall benefit and interests of the shareholders as a whole.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the aforesaid connected transactions.

***External auditor's report on the Group's continuing connected transactions***

The auditor of the Company had conducted an annual review of the continuing connected transactions above in accordance with Rule 14A.56 of the Listing Rules and undertaken a limited assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by Hong Kong Institute of Certified Public Accountants, and provided a letter separately to the Board, confirming that the above continuing connected transactions:

1. nothing has come to auditor's attention that causes them to believe that the aforesaid continuing connected transactions have not been approved by the Board;

2. for transactions involving the provision of goods or services by the Group, nothing has come to auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. with respect to the aggregate amount of each of the aforesaid continuing connected transactions, nothing has come to auditor's attention that causes them to believe that the aforesaid continuing connected transactions have exceeded the annual cap as set by the Company.

## PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient prescribed amount of public float as required under the Listing Rules for the year ended 31 December 2017.

## EVENTS AFTER REPORTING PERIOD

The significant events happened after the reporting period ended 31 December 2017 are set out in note 35 to the consolidated financial statements.

## AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants, who retire and, are eligible to offer themselves for re-appointment. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Chan Man Fai Joe**
*Chairman*

Hong Kong, 28 February 2018

Deloitte. 德勤

TO THE SHAREHOLDERS OF
STAR PROPERTIES GROUP (CAYMAN ISLANDS) LIMITED
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Star Properties Group (Cayman Islands) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 49 to 118, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of properties held for sale** | |
| We identified the valuation of properties held for sale as a key audit matter due to significant management estimations involved in determining the net realisable value on properties held for sale.<br><br>At 31 December 2017, the Group had properties held for sales at a carrying amount of HK$2,245,263,000 (91% of total assets), which included completed properties of HK$15,703,000 and properties under development of HK$2,229,560,000, which are all located in Hong Kong, as disclosed in note 18 to the consolidated financial statements. These properties held for sales are stated at the lower of cost and net realisable value on an individual property basis. Net realisable value is estimated at the actual or estimated selling price less estimated costs to complete and the estimated costs necessary to make the sales. If the actual net realisable value on properties held for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material allowances for impairment losses may result. | Our procedures in relation to valuation of properties held for sale included:<br><br>• Assessing the reasonableness of the construction budget of properties under development by comparing them to actual construction cost incurred for the properties developed by the Group in the latest market data;<br><br>• Evaluating the appropriateness of the estimated selling price by comparing it with recent sales transactions for similar properties in similar locations; and<br><br>• Comparing the management's estimation of the future costs to completion, on a sample basis, to the actual development cost of similar completed properties of the Group and their adjustments to current market data. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Cheung Chung Yin Lawrence.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
28 February 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Revenue | 5 | 732,390 | 40,688 |
| Cost of sales and services | | (519,390) | (13,695) |
| Gross profit | | 213,000 | 26,993 |
| Other income | 6 | 15,046 | 3,709 |
| Gain on change in fair value of investment properties | 14 | 10,569 | 39,545 |
| Gain on disposal of a subsidiary | 25(b) | 1,508 | – |
| Selling expenses | | (32,329) | (1,391) |
| Administrative expenses | | (64,912) | (19,939) |
| Listing expenses | | – | (16,905) |
| Finance costs | 7 | (20,621) | (7,533) |
| Profit before tax | 8 | 122,261 | 24,479 |
| Income tax expense | 11 | (26,447) | (2,740) |
| Profit and total comprehensive income for the year | | 95,814 | 21,739 |
| | | | (Restated) |
| Earnings per share (in HK cents) | | | |
| Basic | 12 | 18.9 | 5.6 |
| Diluted | 12 | N/A | 5.6 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Plant and equipment | *13* | **898** | 159 |
| Investment properties | *14* | **36,700** | 573,990 |
| Deferred tax assets | *15* | **–** | 1,051 |
| Loan receivables | *16* | **48,200** | 11,449 |
| Available-for-sale investment | *17* | **620** | – |
| | | **86,418** | 586,649 |
| **Current Assets** | | | |
| Properties held for sale | *18* | **2,245,263** | 691,529 |
| Trade and other receivables | *19* | **11,634** | 20,993 |
| Deposits paid | *25(a)* | **–** | 33,998 |
| Stakeholder's accounts | *20* | **46,690** | 925 |
| Pledged bank deposits | *20* | **10,037** | – |
| Bank balances and cash | *20* | **63,465** | 31,809 |
| | | **2,377,089** | 779,254 |
| **Current Liabilities** | | | |
| Trade and other payables | *21* | **81,723** | 171,259 |
| Tax liabilities | | **24,361** | 2,324 |
| Borrowings | *22* | **1,715,208** | 741,663 |
| | | **1,821,292** | 915,246 |
| **Net Current Assets (Liabilities)** | | **555,797** | (135,992) |
| **Total Assets Less Current Liabilities** | | **642,215** | 450,657 |
| **Non-current Liability** | | | |
| Deferred tax liabilities | *15* | **249** | 529 |
| **Net Assets** | | **641,966** | 450,128 |

| | *Note* | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Capital and Reserves** | | | |
| Share capital | *23* | **6,272** | 2,240 |
| Reserves | | **635,694** | 447,888 |
| **Total Equity** | | **641,966** | 450,128 |

The consolidated financial statements on pages 49 to 118 were approved and authorised for issue by the Board of Directors on 28 February 2018 and sign on its behalf by:

**Chan Man Fai Joe**
*DIRECTOR*

**Cheung Wai Shuen**
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

| | Share capital HK$'000 | Share premium HK$'000 | Share options reserve HK$'000 | Shareholders' contribution HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2016 | 2 | – | – | – | 146,453 | 146,455 |
| Profit and total comprehensive income for the year | – | – | – | – | 21,739 | 21,739 |
| Effect from group restructuring *(Note (i))* | (2) | – | – | – | – | (2) |
| Issue of new shares by global offering *(note 23(e))* | 560 | 100,240 | – | – | – | 100,800 |
| Issue of new shares by capitalisation *(note 23(f))* | 1,680 | (1,680) | – | – | – | – |
| Wavier of amounts due to directors *(Note (ii))* | – | – | – | 190,000 | – | 190,000 |
| Expense incurred in connection with the issue of new shares *(note 23(e))* | – | (8,864) | – | – | – | (8,864) |
| At 31 December 2016 | 2,240 | 89,696 | – | 190,000 | 168,192 | 450,128 |
| Profit and total comprehensive income for the year | – | – | – | – | 95,814 | 95,814 |
| Issue of bonus shares *(note 23(g))* | 2,240 | (2,240) | – | – | – | – |
| Issue of new shares by open offer *(note 23(h))* | 1,792 | 132,608 | – | – | – | 134,400 |
| Recognition of equity-settled share-based payment *(note 24)* | – | – | 12,543 | – | – | 12,543 |
| Dividend paid *(note 10)* | – | – | – | – | (49,280) | (49,280) |
| Expense incurred in connection with the issue of new shares *(note 23(h))* | – | (1,639) | – | – | – | (1,639) |
| At 31 December 2017 | 6,272 | 218,425 | 12,543 | 190,000 | 214,726 | 641,966 |

*Notes:*

*(i) The effect from group restructuring represents the net result of crediting the Company's share capital amounting to HK$10 as fully paid upon group reorganisation and the elimination of the share capital of the companies comprising the Group amounting to HK$1,572 which were under common control of Mr. Chan Man Fai Joe and Mr. Lam Kin Kok before 22 March 2016.*

*(ii) On 13 July 2016, Mr. Chan Man Fai Joe and Mr. Lam Kin Kok, being the directors and controlling shareholders of the Company, waived the balances due to them of HK$174,420,000 and HK$15,580,000, respectively. The aggregate amount of HK$190,000,000 had been capitalised as shareholders' contribution.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before tax | **122,261** | 24,479 |
| Adjustments for: | | |
| Depreciation of plant and equipment | **215** | 95 |
| Equity-settled share-based payment | **12,543** | – |
| Finance costs | **20,621** | 7,533 |
| Gain on change in fair value of investment properties | **(10,569)** | (39,545) |
| Gain on disposal of a subsidiary | **(1,508)** | – |
| Impairment on goodwill | **–** | 28 |
| Interest income | **(290)** | (623) |
| Loss on disposal of plant and equipment | **99** | 213 |
| Operating cash flows before movements in working capital | **143,372** | (7,820) |
| Increase of loan receivables | **(39,964)** | (10,371) |
| Decrease in trade and other receivables | **12,690** | 2,441 |
| Increase in properties held for sale | **(658,538)** | (151,204) |
| (Increase) decrease in stakeholder's accounts | **(45,765)** | 60,950 |
| (Decrease) increase in trade and other payables | **(91,274)** | 53,058 |
| Cash used in operations | **(679,479)** | (52,946) |
| Income tax paid | **(3,639)** | (1,534) |
| NET CASH USED IN OPERATING ACTIVITIES | **(683,118)** | (54,480) |
| INVESTING ACTIVITIES | | |
| Purchase of plant and equipment | **(1,053)** | (60) |
| Proceeds from disposal of plant and equipment | **–** | 230 |
| Additions to investment properties | **(10,441)** | (10,995) |
| Proceeds from disposal of investment properties | **22,300** | – |
| Purchase of an available-for-sale investment | **(620)** | – |
| Placement of pledged bank deposits | **(10,037)** | – |
| Advances to related companies | **–** | (120) |
| Repayments from related companies | **–** | 1,939 |
| Net cash outflow from acquisitions of subsidiaries *(notes 25(a) & (c))* | **(305,982)** | (34,005) |
| Net cash inflow from disposal of a subsidiary *(note 25(b))* | **1,508** | – |
| Settlement of debt assigned in an acquisition of a subsidiary *(note 25(c))* | **–** | (1,247) |
| Interest received | **290** | 623 |
| NET CASH USED IN INVESTING ACTIVITIES | **(304,035)** | (43,635) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| FINANCING ACTIVITIES | | |
| Borrowings raised | **1,412,781** | 326,002 |
| Repayment of borrowings | **(439,236)** | (69,200) |
| Advance from a director | **135,000** | 18,437 |
| Repayment to a director | **(135,000)** | (194,436) |
| Repayments of loans from related companies | **–** | (16,280) |
| Repayments of amounts due to related companies | **–** | (7,414) |
| Proceeds from issue of shares | **134,400** | 100,800 |
| Expenses incurred in connection with the issue of new shares | **(1,639)** | (8,864) |
| Interest paid | **(38,217)** | (24,839) |
| Dividend paid | **(49,280)** | – |
| NET CASH FROM FINANCING ACTIVITIES | **1,018,809** | 124,206 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | **31,656** | 26,091 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | **31,809** | 5,718 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash | **63,465** | 31,809 |

## 1. GENERAL

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 ("BVI"), and its ultimate controlling party is Mr. Chan Man Fai Joe, who is the chairman of the Board of Directors and an executive director of the Company. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Unit 1203A, 12/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in property development, property investment, provision of property management services and provision of finance businesses.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and its subsidiaries.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRS 12 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 28. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 28, the application of these amendments has had no impact on the Group's consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs and Interpretations that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments[1] |
| HKFRS 16 | Leases[2] |
| HKFRS 17 | Insurance Contracts[4] |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments[2] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |
| Amendments to HKFRSs | Annual Improvement to HKFRSs 2015– 2017 Cycle[2] |

1 *Effective for annual periods beginning on or after 1 January 2018*
2 *Effective for annual periods beginning on or after 1 January 2019*
3 *Effective for annual periods beginning on or after a date to be determined*
4 *Effective for annual periods beginning on or after 1 January 2021*

Except as mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

#### HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss; and

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate to have potential impact on initial application of HKFRS 9 in respect of equity securities classified as available-for-sale ("AFS") investment carried at fair value as disclosed in note 17. These securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. The other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

In addition, the directors of the Company also anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the directors of the Company do not anticipate that the application of the expected credit loss model of HKFRS9 will have material impact on the opening retained profits balance at 1 January 2018.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

**HKFRS 15** ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

#### HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are currently presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$3,023,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$650,000 and refundable rental deposits received of HK$7,096,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advanced lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties and financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

### REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

#### (a) Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been delivered to the buyers. Deposits and instalments received from buyers prior to meeting the evidence above for revenue recognition are included in the consolidated statement of financial position under current liabilities.

#### (b) Rental income

The Group's policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

#### (c) Property management services

Property management services income is recognised when service are provided.

#### (d) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

# 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

### The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

## BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## RETIREMENT BENEFITS COSTS

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### SHARE-BASED PAYMENT ARRANGEMENTS

#### Equity-settled share-based payment transactions

Equity-settled share-based payments to directors of the Company and other employees of the Group are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

### TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### TAXATION (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### PLANT AND EQUIPMENT

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purpose.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Property that is being constructed or developed for future use as investment property is classified as investment property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property is included in the profit or loss in the period in which the property is derecognised.

If an investment property becomes a property held for sale because its use has changed as evidenced by the commencement of development with a view to sale, any difference between the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the changes, the property is stated at the lower of deemed cost, equivalent to the fair value at the date of transfer, and net realisable value.

### IMPAIRMENT ON TANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

# 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## IMPAIRMENT ON TANGIBLE ASSETS (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## PROPERTIES HELD FOR SALE

Completed properties and properties under development for sale are stated in the consolidated statement of financial position at the lower of cost and net realisable value on an individual property basis. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policies, and other attributable expenses. Net realisable value is calculated at the actual or estimated selling price less the estimated costs to complete and the estimated costs necessary to make the sales.

## FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### Financial assets

The Group's financial assets are classified into AFS financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### FINANCIAL INSTRUMENTS (Continued)

#### Financial assets (Continued)

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity instruments held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, trade and other receivables, stakeholder's accounts, pledged bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

# 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## FINANCIAL INSTRUMENTS (Continued)

### Financial assets (Continued)

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

# 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## FINANCIAL INSTRUMENTS (Continued)

### Financial assets (Continued)

#### Impairment of financial assets (Continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

### Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

#### Financial liabilities

Financial liabilities (including construction payables, retention payables and borrowings) are subsequently measured at amortised cost, using the effective interest method.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### FINANCIAL INSTRUMENTS (Continued)

#### Financial liabilities and equity instruments (Continued)

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### CRITICAL JUDGMENT IN APPLYING ACCOUNTING POLICIES

The following is the critical judgment, apart from those involving estimations (which is dealt with separately below), that management of the Group has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

#### Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties cost above.

### KEY SOURCES OF ESTIMATION UNCERTAINTIES

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Fair value of investment properties

As at 31 December 2017, investment properties were carried in the consolidated statement of financial position at aggregate fair value of HK$36,700,000 (2016: HK$573,990,000). The fair value was based on valuations on these properties conducted by independent qualified valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

# 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

## KEY SOURCES OF ESTIMATION UNCERTAINTIES (Continued)

### Estimated net realisable value on properties held for sale

In determining whether allowances should be made to the Group's properties held for sale, the Group takes into consideration the current market conditions to estimate the net realisable value (i.e. the actual or estimated selling price less estimated costs to complete and estimated costs necessary to make the sales). An allowance is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties held for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material allowances for impairment losses may result. As at 31 December 2017, the carrying amount of the properties held for sale was approximately HK$2,245,263,000 (2016: HK$691,529,000).

### Estimated impairment of loan receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of loan receivables is HK$51,554,000 (2016: HK$11,590,000).

# 5. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue from operations by major products and services:

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Property development – sales of properties | **728,199** | 31,851 |
| Property investment – rental income from leasing of investment properties | **2,029** | 8,837 |
| Provision of property management services | **1,016** | – |
| Provision of finance | **1,146** | – |
| | **732,390** | 40,688 |

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.

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

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

1. Property development – sales of properties

2. Property investment – rental income from leasing of investment properties

3. Provision of property management services – provision of property management services for the completed properties

4. Provision of finance – provision of financing services to the property buyers

During the year, the CODM reassessed the provision of property management services and provision of finance businesses and considered that they should be presented as separate operating and reportable segments.

As a result of these changes, certain prior year figures have been restated to conform with current year presentation.

### 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 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Property development | **728,199** | 31,851 | **138,477** | 14,387 |
| Property investment | **2,029** | 8,837 | **5,014** | 37,313 |
| Provision of property management services | **1,016** | – | **603** | – |
| Provision of finance | **1,146** | – | **939** | – |
| | **732,390** | 40,688 | **145,033** | 51,700 |
| Unallocated income | | | **37** | 1,611 |
| Unallocated expenses | | | **(23,473)** | (11,927) |
| Gain on disposal of a subsidiary | | | **1,508** | – |
| Listing expenses | | | **–** | (16,905) |
| Finance costs | | | **(844)** | – |
| Profit before tax | | | **122,261** | 24,479 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of listing expenses, gain on disposal of a subsidiary, certain other income, administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### SEGMENT ASSETS AND LIABILITIES

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Segment assets** | | |
| Property development | **2,316,983** | 765,903 |
| Property investment | **71,815** | 582,617 |
| Provision of property management services | **752** | 339 |
| Provision of finance | **56,608** | 13,283 |
| Total segment assets | **2,446,158** | 1,362,142 |
| Unallocated assets | **17,349** | 3,761 |
| Consolidated total assets | **2,463,507** | 1,365,903 |
| **Segment liabilities** | | |
| Property development | **1,602,512** | 688,560 |
| Property investment | **305** | 223,877 |
| Provision of property management services | **156** | 57 |
| Provision of finance | **–** | 2 |
| Total segment liabilities | **1,602,973** | 912,496 |
| Unallocated liabilities | **218,568** | 3,279 |
| Consolidated total liabilities | **1,821,541** | 915,775 |

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

– all assets are allocated to operating segments other than corporate assets; and

– all liabilities are allocated to operating segments other than corporate liabilities.

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### OTHER SEGMENT INFORMATION

**For the year ended 31 December 2017**

| | Property development HK$'000 | Property investment HK$'000 | Provision of property management services HK$'000 | Provision of finance HK$'000 | Segment total HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Amounts included in the measure of segment results or segment assets: | | | | | | | |
| Addition to non-current assets | – | 10,441 | – | – | 10,441 | 1,053 | 11,494 |
| Depreciation | – | – | – | – | – | 215 | 215 |
| Gain on change in fair value of investment properties | – | 10,569 | – | – | 10,569 | – | 10,569 |
| Interest expense | 17,567 | 2,210 | – | – | 19,777 | 844 | 20,621 |
| Loss on disposal of plant and equipment | – | – | – | – | – | 99 | 99 |
| Amounts regularly provided to the CODM but not included in the measure of segment results: | | | | | | | |
| Interest income earned on bank balances | 253 | – | – | – | 253 | 37 | 290 |
| Income tax expense | 26,341 | 7 | 99 | – | 26,447 | – | 26,447 |

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### OTHER SEGMENT INFORMATION (Continued)

**For the year ended 31 December 2016**

| | Property development HK$'000 | Property investment HK$'000 | Provision of property management services HK$'000 | Provision of finance HK$'000 | Segment total HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Amounts included in the measure of segment results or segment assets: | | | | | | | |
| Addition to non-current assets | – | 10,995 | – | – | 10,995 | 60 | 11,055 |
| Depreciation | 61 | – | – | – | 61 | 34 | 95 |
| Gain on change in fair value of investment properties | – | 39,545 | – | – | 39,545 | – | 39,545 |
| Interest expense | 1,915 | 5,618 | – | – | 7,533 | – | 7,533 |
| Loss on disposal of plant and equipment | 213 | – | – | – | 213 | – | 213 |
| Amounts regularly provided to the CODM but not included in the measure of segment results: | | | | | | | |
| Interest income earned on bank balances | 46 | – | – | – | 46 | 528 | 574 |
| Income tax expense | 898 | 1,785 | 57 | – | 2,740 | – | 2,740 |

### GEOGRAPHICAL INFORMATION

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets (excluding deferred tax assets, loan receivables and AFS investment) are all located in Hong Kong by location of assets.

### INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customer contributing over 10% of the total revenue of the Group is as follows:

| | 2016 HK$'000 |
|---|---|
| Customer A *(Note)* | 4,800 |

*Note: Customer A is from property development – sales of properties.*

For the year ended 31 December 2017, the Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's total revenue.

## 6. OTHER INCOME

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Interest income earned on bank balances | **290** | 574 |
| Interest income from loan receivables | **–** | 49 |
| Forfeiture of deposits from tenants and property purchasers | **451** | 152 |
| Temporary rental income from properties held for sale | **14,252** | 1,899 |
| Properties management fees | **–** | 923 |
| Others | **53** | 112 |
| | **15,046** | 3,709 |

## 7. FINANCE COSTS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Interest on: | | |
| Borrowings | **39,646** | 17,877 |
| Loans from related parties | **309** | 1,712 |
| Total borrowing costs | **39,955** | 19,589 |
| Less: amount capitalised in cost of qualifying assets | **(19,334)** | (12,056) |
| | **20,621** | 7,533 |

Borrowing costs capitalised during the current year arose on the specific borrowing for the expenditure on each property development.

## 8. PROFIT BEFORE TAX

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit before tax has been arrived at after charging (crediting): | | |
| Directors' emoluments *(note 9)* | **23,928** | 2,499 |
| Other staff costs, excluding directors' emoluments: | | |
| Salaries and other allowances | **8,566** | 3,674 |
| Retirement benefit scheme contributions | **134** | 114 |
| Total staff costs | **32,628** | 6,287 |
| Less: capitalised in properties held for sale and investment properties | **(3,653)** | (2,118) |
| | **28,975** | 4,169 |
| Auditors' remuneration | **1,010** | 815 |
| Cost of inventories recognised as an expense | **518,119** | 11,352 |
| Depreciation of plant and equipment | **215** | 95 |
| Equity-settled share-based payment *(note 24)* | **12,543** | – |
| Property agency commission (included in selling expenses) | **31,270** | 397 |
| Legal and professional fees | **5,427** | 4,812 |
| Loss on disposal of plant and equipment | **99** | 213 |
| Gross rental income from investment properties | **(2,029)** | (8,837) |
| Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services) | **1,271** | 2,343 |
| | **(758)** | (6,494) |

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### DIRECTORS

The emoluments of the directors of the Company including the amount paid or payable by the group entities for their services provided to the Group are as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Fees | **517** | 188 |
| Salaries and other allowances | **6,108** | 1,968 |
| Discretionary bonuses | **17,248** | 284 |
| Retirement benefit scheme contributions | **55** | 59 |
| | **23,928** | 2,499 |

Directors' and executives' emoluments for the year, disclosed pursuant to applicable Listing Rules and CO, are as follow:

| | 2017 | | | | | 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fees<br>HK$'000 | Salaries and other allowances<br>HK$'000 | Discretionary bonuses<br>HK$'000 | Retirement benefit scheme contributions<br>HK$'000 | Total<br>HK$'000 | Fees<br>HK$'000 | Salaries and other allowances<br>HK$'000 | Discretionary bonuses<br>HK$'000 | Retirement benefit scheme contributions<br>HK$'000 | Total<br>HK$'000 |
| A) Executive directors: | | | | | | | | | | |
| Mr. Chan Man Fai Joe (chief executive) *(Note (a))* | – | 1,920 | – | 6 | 1,926 | – | 120 | 10 | 6 | 136 |
| Mr. Lam Kin Kok *(Notes (a) & (d))* | – | 873 | 8,614 | 13 | 9,500 | – | 720 | 180 | 18 | 918 |
| Mr. Liu Hon Wai *(Note (a))* | – | 2,415 | 5,625 | 18 | 8,058 | – | 336 | 28 | 17 | 381 |
| Ms. Cheung Wai Shuen *(Note (a))* | – | 900 | 3,009 | 18 | 3,927 | – | 792 | 66 | 18 | 876 |
| | – | 6,108 | 17,248 | 55 | 23,411 | – | 1,968 | 284 | 59 | 2,311 |
| B) Non-executive directors: | | | | | | | | | | |
| Mr. Pong Kam Keung *(Note (b))* | 100 | – | – | – | 100 | 47 | – | – | – | 47 |
| Mr. Yim Kwok Man *(Note (b))* | 100 | – | – | – | 100 | – | – | – | – | – |
| Mr. Lam Kin Kok *(Note (a) & (d))* | 17 | – | – | – | 17 | – | – | – | – | – |
| | 217 | – | – | – | 217 | 47 | – | – | – | 47 |
| C) Independent non-executive directors: | | | | | | | | | | |
| Mr. Shiu Siu Tao *(Note (c))* | 100 | – | – | – | 100 | 47 | – | – | – | 47 |
| Mr. Lee Chung Ming Eric *(Note (c))* | 100 | – | – | – | 100 | 47 | – | – | – | 47 |
| Ms. Chan Wah Man Carman *(Note (c))* | 100 | – | – | – | 100 | 47 | – | – | – | 47 |
| | 300 | – | – | – | 300 | 141 | – | – | – | 141 |
| Total | 517 | 6,108 | 17,248 | 55 | 23,928 | 188 | 1,968 | 284 | 59 | 2,499 |

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### DIRECTORS (Continued)

*Notes:*

*(a) These directors were appointed on 4 March 2016. On 14 March 2016, Mr. Chan Man Fai Joe was re-designated as the chairman, chief executive and executive director while the other directors were re-designated at as executive directors.*

*(b) These directors were appointed on 4 March 2016 and re-designated at as non-executive directors on 14 March 2016.*

*(c) These directors were appointed on 27 June 2016.*

*(d) On 23 September 2017, Mr. Lam Kin Kok was re-designated at as a non-executive director of the Company. Subsequently, he resigned as a non-executive director of the Company on 23 November 2017 and is appointed as a consultant of the Company on the same date.*

The discretionary bonuses are determined with reference to the performance of sales of properties for the relevant years of the group entities.

Neither the chief executive nor any of the directors of the Company waived or agreed to waive any emoluments in the year ended 31 December 2017 (2016: Nil).

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments and independent non-executive directors' emoluments shown above were for their services as director of the Company.

### EMPLOYEES

Of the five individuals with the highest emoluments in the Group, four (2016: two) are directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2016: three) individuals for the year ended 31 December 2017 are as follows:

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Salaries and other allowances | **708** | 1,779 |
| Discretionary bonuses | **1,390** | 282 |
| Retirement benefit scheme contributions | **18** | 50 |
| | **2,116** | 2,111 |

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### EMPLOYEES (Continued)

The number of the highest paid individuals who are not the directors of the Company whose emoluments fell within the following bands is as follows:

| | **2017 No. of employees** | 2016 No. of employees |
|---|---|---|
| Nil – HK$1,000,000 | **–** | 3 |
| HK$2,000,001 – HK$2,500,000 | **1** | – |
| | **1** | 3 |

## 10. DIVIDENDS

During the current year, final dividend of HK22 cents per share in respect of the year ended 31 December 2016, totalling HK$49,280,000 (for the year ended 31 December 2016: nil) was declared and paid on 19 May 2017.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK5.6 cents per ordinary share, in an aggregate amount of HK$35,123,200, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

## 11. INCOME TAX EXPENSE

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Hong Kong Profits Tax: | | |
| – Current year | 25,676 | 3,150 |
| – Overprovision in prior years | – | (411) |
| | 25,676 | 2,739 |
| Deferred taxation *(note 15)* | 771 | 1 |
| | 26,447 | 2,740 |

Hong Kong Profits Tax is calculated at 16.5% of assessable profit for both years.

The income tax expense for the year can be reconciled from the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Profit before tax | 122,261 | 24,479 |
| Tax at Hong Kong Profits Tax Rate of 16.5% | 20,173 | 4,039 |
| Tax effect of expenses not deductible for tax purpose | 2,864 | 3,138 |
| Tax effect of income not taxable for tax purpose | (2,932) | (6,951) |
| Tax effect of tax losses not recognised | 6,768 | 2,798 |
| Utilisation of tax losses previously not recognised | – | (33) |
| Overprovision in prior years | – | (411) |
| Others | (426) | 160 |
| Income tax expense for the year | 26,447 | 2,740 |

## 12. 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:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share | **95,814** | 21,739 |

| | '000 | '000<br>(Restated) |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **505,933** | 388,634 |
| Effect of dilutive potential ordinary shares in respect of outstanding over-allotment option | | 446 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | | 389,080 |

*Notes:*

*(1) On 19 May 2017, 224,000,000 shares of HK$0.01 each were issued under bonus issue on the basis of one bonus share for every one existing share. Details of the bonus issue were set out in the announcement of the Company dated 19 May 2017. In determining the weighted average number of ordinary shares in issue for the year ended 31 December 2017, the 224,000,000 shares issued by way of capitalisation from reserves have been regarded as if these shares were in issue since 1 January 2016. Earnings per share for the year ended 31 December 2016 were restated accordingly.*

*(2) The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price plus unvested fair value of those options was higher than the average market price for shares for the year ended 31 December 2017.*

## 13. PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Office equipment and furniture HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| COST | | | | |
| At 1 January 2016 | 95 | 41 | 737 | 873 |
| Additions | 4 | 56 | – | 60 |
| Disposals | – | – | (737) | (737) |
| At 31 December 2016 | 99 | 97 | – | 196 |
| Additions | 991 | 62 | – | 1,053 |
| Disposals | (99) | (26) | – | (125) |
| At 31 December 2017 | 991 | 133 | – | 1,124 |
| DEPRECIATION | | | | |
| At 1 January 2016 | 2 | 1 | 233 | 236 |
| Provided for the year | 20 | 14 | 61 | 95 |
| Eliminated upon disposals | – | – | (294) | (294) |
| At 31 December 2016 | 22 | 15 | – | 37 |
| Provided for the year | 191 | 24 | – | 215 |
| Eliminated upon disposals | (22) | (4) | – | (26) |
| At 31 December 2017 | 191 | 35 | – | 226 |
| CARRYING VALUES | | | | |
| At 31 December 2017 | 800 | 98 | – | 898 |
| At 31 December 2016 | 77 | 82 | – | 159 |

The plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

| | |
|---|---|
| Leasehold improvements | Over the lease term |
| Office equipment and furniture | 10% – 50% per annum |
| Motor vehicles | 20% per annum |

## 14. INVESTMENT PROPERTIES

| | Completed investment properties HK$'000 | Investment properties under construction HK$'000 | Investment properties pending revitalisation HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| FAIR VALUE | | | | |
| At 1 January 2016 | 28,680 | 21,770 | 473,000 | 523,450 |
| Additions | 5,881 | 3,067 | 2,047 | 10,995 |
| Increase in fair value | 9 | 583 | 38,953 | 39,545 |
| At 31 December 2016 | 34,570 | 25,420 | 514,000 | 573,990 |
| Additions | – | 608 | 9,833 | 10,441 |
| (Decrease) increase in fair value | (1,598) | – | 12,167 | 10,569 |
| Disposals | (22,300) | – | – | (22,300) |
| Transfer to properties held for sale | – | – | (536,000) | (536,000) |
| Transfer upon completion | 26,028 | (26,028) | – | – |
| At 31 December 2017 | **36,700** | **–** | **–** | **36,700** |

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. All of these investment properties are located in Hong Kong.

The fair value of the Group's investment properties as at 31 December 2017 and 2016 have been arrived at on the basis of valuations carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited which is a firm of independent qualified valuers not connected with the Group, and it has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

In determining the fair value of the relevant properties, the Board of Directors of the Company has set up a valuation team, which is headed up by an executive director of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. The Group engages independent qualified valuers to perform the valuations. The valuation team works closely with the independent qualified valuers to establish the appropriate valuation techniques and inputs to the model. The valuation team's findings are reported to the Board of Directors of the Company every half year to explain the cause of fluctuations in the fair value of the investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As at 31 December 2017 and 2016, the fair values of carpark spaces in a completed investment property were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

## 14. INVESTMENT PROPERTIES (Continued)

As at 31 December 2016, the fair values of investment properties under construction were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions, taking into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date, the remainder of the cost and fees expected to be incurred for completing the development and developer's profit margin.

As at 31 December 2016, the fair value of investment properties pending revitalisation was arrived at based on the residual approach, where the monthly market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties, taking into account the estimated total renovation costs to complete, developer's profit margin, borrowing costs, marketing expenditures and professional fees. The monthly market rentals are assessed by reference to the rentals to be achieved in the lettable units of the properties after the completion of revitalisation as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar properties in Hong Kong and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

For the purpose of measuring deferred tax liability arising from investment property that is measured using the fair value model, the directors have reviewed the Group's investment property and determined that the presumption to recover the carrying amount of investment property through sale is not rebutted. As a result, the Group does not recognise deferred tax on changes in fair value of investment property (if any) as the Group is not subject to any income taxes on disposal of its investment property.

During the year, certain investment properties pending revitalisation have been transferred to properties held for sale upon the commencement of development in view to sale. At the date of transfer, the gain from change in the fair values of these properties amounting to HK$12,167,000 is recognised in profit or loss.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

| | Level 3<br>HK$'000 | Fair value as at<br>31 December<br>2017<br>HK$'000 |
|---|---|---|
| Carpark spaces located in Hong Kong | 36,700 | 36,700 |

## 14. INVESTMENT PROPERTIES (Continued)

| | Level 3<br>HK$'000 | Fair value as at 31 December 2016<br>HK$'000 |
|---|---|---|
| Industrial units located in Hong Kong | 514,000 | 514,000 |
| Carpark spaces located in Hong Kong | 54,100 | 54,100 |
| A commercial unit located in Hong Kong | 5,890 | 5,890 |
| | 573,990 | 573,990 |

The following tables give information about how the fair values of these investment properties as at 31 December 2017 and 2016 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

| Investment properties held by the Group | Fair value<br>HK$'000 | Fair value hierarchy | Valuation techniques | Significant unobservable inputs | Sensitivity |
|---|---|---|---|---|---|
| **As at 31 December 2017** | | | | | |
| Completed investment properties – carpark spaces | 36,700 | Level 3 | Direct comparison approach | Unit sale rate from HK$1,150,000 to HK$2,500,000 | A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa |
| **As at 31 December 2016** | | | | | |
| Investment properties under construction – carpark spaces | 25,420 | Level 3 | Residual approach | Unit sale rate from HK$1,200,000 to HK$2,160,000 | A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa |
| | | | | Expected developer's profit margin at 30% | A slight increase in the expected profit would result in a significant decrease in fair value, and vice versa |
| | | | | Estimated total construction cost to complete amounted to approximately HK$370,000 | A significant increase in the cost would result in a significant decrease in fair value, and vice versa |

## 14. INVESTMENT PROPERTIES (Continued)

| Investment properties held by the Group | Fair value HK$'000 | Fair value hierarchy | Valuation techniques | Significant unobservable inputs | Sensitivity |
|---|---|---|---|---|---|
| Investment properties pending revitalisation – Industrial building | 514,000 | Level 3 | Residual approach | Monthly market rent of HK$9,044 per square feet | A significant increase in the monthly market rent would result in a significant increase in fair value, and vice versa |
| | | | | Expected developer's profit margin at 15% | A slight increase in the expected profit would result in a significant decrease in fair value, and vice versa |
| | | | | Estimated total renovation cost to complete amounted to approximately HK$141,700,000 | A significant increase in the cost would result in a significant decrease in fair value, and vice versa |
| Completed investment properties – carpark spaces | 28,680 | Level 3 | Direct comparison approach | Unit sale rate from HK$1,200,000 to HK$2,160,000 | A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa |
| Completed investment properties – a commercial unit | 5,890 | Level 3 | Income approach | Monthly market rent of HK$28 per square feet | A significant increase in the monthly market rent would result in a significant increase in fair value, and vice versa |
| | | | | Capitalisation rate at 3.2% | A slight increase in the capitalisation rate would result in a significant decrease in fair value, and vice versa |
| | 573,990 | | | | |

There were no transfers into or out of Level 3 for both years presented.

As at 31 December 2017, the Group's completed properties with fair value of approximately HK$26,260,000 (2016: investment properties under construction and pending revitalisation with fair value of approximately HK$539,420,000) have been pledged to secure bank borrowings granted to the Group. Details are set out in note 22.

## 15. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

| | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|
| Deferred tax assets | **–** | 1,051 |
| Deferred tax liabilities | **(249)** | (529) |
| | **(249)** | 522 |

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

| | **Accelerated tax depreciation** HK$'000 | **Tax loss** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| As at 1 January 2016 | – | 523 | 523 |
| (Charged) credited to profit or loss | (529) | 528 | (1) |
| As at 31 December 2016 | (529) | 1,051 | 522 |
| Credited (charged) to profit or loss | 280 | (1,051) | (771) |
| As at 31 December 2017 | **(249)** | **–** | **(249)** |

The Group has unutilised tax losses of approximately HK$63,915,000 (2016: HK$29,266,000) as at 31 December 2017 available for offset against future profits and such tax losses have no expiry date. Deferred tax asset had been recognised in respect of HK$6,369,000 such losses as at 31 December 2016. No deferred tax asset has been recognised for the remaining tax losses of approximately HK$63,915,000 (2016: HK$22,897,000) as at 31 December 2017 due to the unpredictability of future profit streams in the respective entities. Such tax losses may be carried forward indefinitely.

## 16. LOAN RECEIVABLES

| | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|
| Variable-rate loan receivables *(Note)* | **51,554** | 11,590 |
| Analysis as: | | |
| – Non-current portion | **48,200** | 11,449 |
| – Current portion *(note 19)* | **3,354** | 141 |
| Total | **51,554** | 11,590 |

*Note:*

*As at 31 December 2017, the balance included:*

*(i) loan receivables amounting to HK$363,000 (2016: HK$790,000), which are secured by the property units of a borrower, interest bearing at Hong Kong Prime Rate plus 2% per annum. The principal amounts started to be repaid in November 2016 in accordance with the repayment schedules; and*

*(ii) loan receivables amounting to HK$51,191,000 (2016: HK$10,800,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong Prime Rate minus 1.75% per annum. The principal amounts will be fully repaid at the maturity dates respectively.*

Loans are provided to borrowers at a range of 60 to 70% 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 2017 and 2016.

As at 31 December 2017 and 2016, all the loan receivables are neither past due nor impaired.

## 16. LOAN RECEIVABLES (Continued)

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Variable-rate loan receivables: | | |
| Within one year | **3,354** | 141 |
| In more than one year but not more than two years | **3,476** | 151 |
| In more than two years but not more than five years | **44,724** | 11,298 |
| | **51,554** | 11,590 |

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

| | 2017 | 2016 |
|---|---|---|
| Effective interest rate: | | |
| – Variable-rate loan receivables | **3.25% to 7%** | 3.25% to 7% |

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 are used in assessing the credit equality, 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.

## 17. AVAILABLE-FOR-SALE INVESTMENT

In September 2017, the Group subscribed a participation note at a face value of US$100,000 (equivalent to HK$775,000) (the "Participation Note") in Betatron Cohort 2 and 3 (BVI) Limited ("Betatron"), a private company incorporated in the BVI, representing 10% of total face value of all participation note issued by Betatron as at 31 December 2017. The investment objective of Betatron is to achieve capital appreciation through exploring investment opportunities in Asia with focus on venture capital funding opportunities.

Pursuant to the term sheet entered into between the Company and Betatron, the directors of the Company considered that the Group has no significant influence over Betatron because the Participation Note subscribed by the Group does not confer the right to the Group to appoint directors of Betatron who direct the relevant activities of Betatron.

## 17. AVAILABLE-FOR-SALE INVESTMENT (Continued)

As at 31 December 2017, the AFS investment is at a fair value of HK$620,000. The Group has recognised a fair value loss of HK$155,000 in respect of the fair value changes in the profit or loss. The fair value of this AFS investment is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

## 18. PROPERTIES HELD FOR SALE

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| The Group's carrying amounts of properties held for sale, stated at cost, comprise: | | |
| – Properties under development | **2,229,560** | 682,445 |
| – Completed properties | **15,703** | 9,084 |
| | **2,245,263** | 691,529 |
| Properties to be realised after one year | **1,652,760** | 200,583 |

The properties under development are situated in Hong Kong.

In the opinion of the directors of the Company, all properties held for sale are expected to be realised in the business cycle of two to three years.

As at 31 December 2017, properties held for sale with aggregated amount of HK$2,243,100,000 (2016: HK$682,445,000) have been pledged to secure bank borrowings granted to the Group set out in note 22.

All of the above properties held for sale are to be sold within the normal operating cycle of the Group thus they are classified as current assets.

## 19. TRADE AND OTHER RECEIVABLES

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Trade receivables for rental income | 5,200 | 32 |
| Loan receivables *(note 16)* | 3,354 | 141 |
| Loan interest receivable | 45 | – |
| Deposits and other receivables | 2,776 | 4,850 |
| Prepayments | | |
| – Prepaid property agent commission | – | 15,546 |
| – Other prepayments | 259 | 424 |
| | 11,634 | 20,993 |

No credit term is allowed for trade receivables.

The following is an ageing analysis of trade receivables presented based on the invoice date.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| 0 – 30 days | 2,787 | 32 |
| 31 – 60 days | 2,413 | – |
| | 5,200 | 32 |

All of the Group's trade receivables are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

## 20. STAKEHOLDER'S ACCOUNTS/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The amounts comprise stakeholder's accounts which are held by independent intermediaries for collecting sales receipts on the Group's behalf. The amounts are interest bearing at prevailing market interest rate of 0.001% to 0.65% per annum.

Pledged bank deposits represent bank deposits pledged to a bank for securing banking facilities grant to the Group set out in note 22.

The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which are as follows:

| | **2017** | 2016 |
|---|---|---|
| Range of interest rate per annum: | | |
| Bank balances | **0.001% – 0.01%** | 0.001% – 0.01% |

## 21. TRADE AND OTHER PAYABLES

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Construction payables *(Note (1))* | **–** | 7,000 |
| Retention payables *(Note (2))* | **5,073** | 11,751 |
| Other payables, deposits received and accruals | | |
| – Receipts in advance from properties pre-sold | **29,108** | 142,725 |
| – Rental deposits received | **7,096** | 1,291 |
| – Accrued construction costs | **32,799** | 5,795 |
| – Accrued staff costs | **497** | – |
| – Accrued interest | **1,738** | – |
| – Accrued agency commission | **147** | – |
| – Others | **5,265** | 2,697 |
| | **81,723** | 171,259 |

*Notes:*

*(1) No credit term is allowed for construction payables. The Group's construction payables based on invoice dates as at 31 December 2016 all fell within the aging of 1 to 30 days.*

*(2) As at 31 December 2017, retention payables amounting to HK$4,978,000 (2016: HK$7,846,000) is aged within one year while the remaining amount of HK$95,000 (2016: HK$3,905,000) is aged one to two years. All retention payables as at 31 December 2017 and 2016 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.*

## 22. BORROWINGS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Bank borrowings | **1,645,208** | 741,663 |
| Loan from a financial institution | **70,000** | – |
| | **1,715,208** | 741,663 |
| Scheduled payment terms of borrowings contain a repayment on demand clause (shown under current liabilities): | | |
| – Within one year | **1,015,734** | 223,880 |
| – In more than one year but not more than two years | **405,474** | – |
| – In more than two years but not more than five years | **294,000** | 517,783 |
| Total | **1,715,208** | 741,663 |

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Variable-rate borrowings: | | |
| Within one year | **945,734** | 223,880 |
| In more than one year but not more than two years | **405,474** | – |
| In more than two years but not more than five years | **294,000** | 517,783 |
| | **1,645,208** | 741,663 |
| Fixed-rate borrowings: | | |
| Within one year | **70,000** | – |
| | **1,715,208** | 741,663 |

## 22. BORROWINGS (Continued)

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

| | 2017 | 2016 |
|---|---|---|
| Effective interest rates: | | |
| – Fixed-rate borrowings | 10% | N/A |
| – Variable-rate borrowings | 1.6% – 4.3% | 2.4% – 4.0% |

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Properties held for sale | | |
| – Completed, at cost | 13,539 | – |
| – Under development for sales, at cost | 2,229,561 | 682,445 |
| | 2,243,100 | 682,445 |
| Investment properties | | |
| – Completed, at fair value | 26,260 | – |
| – Under construction, at fair value | – | 25,420 |
| – Pending revitalisation, at fair value | – | 514,000 |
| | 26,260 | 539,420 |
| Pledged bank deposits | 10,037 | – |
| Total | 2,279,397 | 1,221,865 |

In addition, the loan from a financial institution of HK$70,000,000 as at 31 December 2017 is secured by 1) post-dated cheques drawn in favour of the lender or the lender's order for payment of the principal stipulated under the loan agreement entered between the Company and the lender; and 2) personal guarantee provided by Mr. Chan Man Fai Joe, the chairman and an executive director of the Company.

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, as are commonly found in lending arrangements with a financial institution. If the Group were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(b). As at 31 December 2017 and 2016, none of the bank covenants relating to drawn down facilities had been breached.

## 23. SHARE CAPITAL

The share capital of the Group at 1 January 2016 represented the aggregate issued and paid up share capital of the companies comprising the Group which were under common control of Mr. Chan Man Fai Joe and Mr. Lam Kin Kok.

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

| | *Notes* | Number of shares | Amount |
|---|---|---|---|
| | | | HK$ |
| Ordinary shares of HK$0.01 each | | | |
| **Authorised:** | | | |
| At 4 March 2016 (date of incorporation) | *(a)* | 38,000,000 | 380,000 |
| Increased in authorised share capital, ordinary shares of HK$0.01 each | *(d)* | 962,000,000 | 9,620,000 |
| At 31 December 2016 and 31 December 2017 | | 1,000,000,000 | 10,000,000 |
| **Issued and fully paid:** | | | |
| At 4 March 2016 (date of incorporation) | *(b)* | 100 | 1 |
| Issue of ordinary shares pursuant to the group reorganisation | *(c)* | 900 | 9 |
| Issue of new shares by global offering | *(e)* | 56,000,000 | 560,000 |
| Issue of new shares by capitalisation | *(f)* | 167,999,000 | 1,679,990 |
| At 31 December 2016 | | 224,000,000 | 2,240,000 |
| Issue of bonus shares | *(g)* | 224,000,000 | 2,240,000 |
| Issue of new shares by open offer | *(h)* | 179,200,000 | 1,792,000 |
| At 31 December 2017 | | 627,200,000 | 6,272,000 |

## 23. SHARE CAPITAL (Continued)

*Notes:*

(a) *On 4 March 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.*

(b) *On 4 March 2016, 100 shares were allotted and issued as fully paid, of which 1 share was issued to initial subscriber, 89 shares to Star Properties Holdings (BVI) Limited, a company wholly-owned by Mr. Chan Man Fai Joe and 10 shares to Eagle Trend (BVI) Limited, a company wholly owned by Mr. Lam Kin Kok, respectively. On the same day, the 1 share held by the initial subscriber was subsequently transferred to Star Properties Holdings (BVI) Limited.*

(c) *On 22 March 2016, 900 shares were allotted and issued as fully paid, of which 828 shares were issued to Star Properties Holdings (BVI) Limited and 72 shares were issued to Eagle Trend (BVI) Limited.*

(d) *Pursuant to the extraordinary general meeting of our Shareholders held on 27 June 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of a further 962,000,000 shares of HK$0.01 each.*

(e) *On 13 July 2016, the Company completed the global offering and issued 56,000,000 new ordinary shares in total with the nominal value of HK$0.01 per share. The aggregate net proceeds from the global offering were calculated at the offer price of HK$1.8 per share after deducting the underwriting fee and the listing expenses amounting to HK$8,864,000 in connection with the global offering.*

(f) *Pursuant to the written resolution passed by the shareholders of the Company on 27 June 2016 conditional upon the crediting of the Company's share premium account as a result of the issue of 56,000,000 ordinary shares in connection with the initial listing of the shares of the Company by way of global offering, the directors of the Company are authorised to capitalise an amount of HK$1,679,990 for 167,999,000 shares standing to the credit of the share premium account of the Company. The capitalisation has been completed on 13 July 2016. The shares allotted and issued pursuant to the resolutions shall rank pari passu in all respects with the existing issued shares.*

(g) *On 19 May 2017, 224,000,000 shares of HK$0.01 each were issued under bonus share for every one existing share. Details of bonus issue were set out in the announcement of the Group dated 19 May 2017.*

(h) *On 11 September 2017, 179,200,000 shares were allotted and issued pursuant to the open offer at a nominal value of HK$0.01 per share. The aggregate net proceeds from the open offer were calculated at the open price of HK$0.075 per share after deducting the transaction costs amounting to HK$1,639,000 in connection with the open offer.*

## 24. SHARE-BASED PAYMENT TRANSACTIONS

The Group adopted a share option scheme on 27 June 2016 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide any directors, full-time employees of any member of the Group and other eligible participants who have contributed or will contribute to the Group ("Participants") with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the Participants

Pursuant to the Share Option Scheme, the directors of the Company may invite Participants to take up options at a price determined by the Board of Directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made by the Company to the grantee (the date must be a business day, "Offer Date"); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 30% of the total number of shares in issue from time to time unless the Company obtains a fresh approval from the shareholders to refresh the limit.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed either (i) 30% of the issued share capital of our Company from time to time or (ii) 10% of the issued share capital of the Company as at the 13 July 2016 (without taking into account the shares which may be issued and allotted pursuant to the exercise of the over-allotment option and the options which may be or have been granted under the Share Option Scheme) unless shareholders' approval has been obtained. No options may be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.

The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which would be determined and notified by the Board of Directors to the grantee at the time of making an offer.

During the year, 12,432,000 share options with exercise price of HK$2.06 per share were granted to certain directors and employees on 25 January 2017. These share options are with vesting period from 25 January 2017 to 24 January 2018 and are exercisable from 25 January 2018 to 12 July 2026. After the bonus issued in May 2017 and open offer of shares in September 2017 as detailed in note 23(g) and note 23(h), respectively, the number and exercise price of the share options are adjusted to 26,107,200 share options and HK$0.98 per share.

Details of specific categories of options are as follows:

| | Date of grant | Vesting period | Exercisable period | Exercise price (adjusted) |
|---|---|---|---|---|
| Directors | 25 January 2017 | 25 January 2017 to 24 January 2018 | 25 January 2018 to 12 July 2026 | HK$0.98 |
| Employee | 25 January 2017 | 25 January 2017 to 24 January 2018 | 25 January 2018 to 12 July 2026 | HK$0.98 |
| Other | 25 January 2017 | 25 January 2017 to 24 January 2018 | 25 January 2018 to 12 July 2026 | HK$0.98 |

## 24. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's number of share options granted to certain directors, employees and other eligible participant during the year:

| Option type | Outstanding at 1.1.2017 | Granted during year | Adjusted during the year *(Note 1)* | Reclassification *(Note 2)* | Outstanding at 31.12.2017 |
|---|---|---|---|---|---|
| Directors | – | 10,080,000 | 11,088,000 | (4,704,000) | 16,464,000 |
| Employee | – | 2,352,000 | 2,587,200 | – | 4,939,200 |
| Other | – | – | – | (4,704,000) | 4,704,000 |
| | – | 12,432,000 | 13,675,200 | – | 26,107,200 |

*Notes*

1: *The number of outstanding share options and exercise price were adjusted as a result of the bonus issue and open offer of the Company on 19 May 2017 and 11 September 2017, respectively. The details of the bonus issue were set out in the announcements of the Company dated 19 May 2017 and 11 September 2017, respectively.*

2: *On 23 November 2017, Mr. Lam Kin Kok resigned as a director of the Company. As he is further reappointed as a consultant of the Group on the same day, the share options granted to him have been reclassified from the category of "Directors" to "Other" for presentation purpose.*

The estimated fair values of the options granted to directors, employees and other participant determined at the date of grant using the trinomial model before the bonus issue and open offer adjustments were HK$1.08, HK$1.06 and HK$1.08, respectively; while the estimated fair values of the options after the aforesaid adjustments were HK$0.52, HK$0.50 and HK$0.52, respectively.

The following assumptions were used to calculate the fair values of share options:

| | | Directors 25 January 2017 | Employee 25 January 2017 | Other 2017 |
|---|---|---|---|---|
| Before adjustment: | Grant date price | HK$2.060 | HK$2.060 | HK$2.060 |
| | Exercise price | HK$2.060 | HK$2.060 | HK$2.060 |
| After adjustment: | Grant date price | HK$0.980 | HK$0.980 | HK$0.980 |
| | Exercise price | HK$0.980 | HK$0.980 | HK$0.980 |
| Time to maturity (years) | | 9.461 years | 9.461 years | 9.461 years |
| Volatility | | 50.160% | 50.160% | 50.160% |
| Dividend yield | | 0.579% | 0.579% | 0.579% |
| Risk-free interest rate | | 1.725% | 1.725% | 1.725% |
| Exercise multiples | | 3.342 | 2.860 | 3.342 |

## 24. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The trinomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

Fair value of the share options amounted to approximately HK$13,426,000. The Group recognised the total expenses of HK$12,543,000 for the year ended 31 December 2017 (2016: nil) in relation to share options granted by the Company.

## 25. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### a. Acquisition of Canton Group

On 26 September 2016, the Group entered into a sale and purchase agreement with two vendors that the Group agreed to acquire the equity interest and shareholders' loan of Canton Glory Limited, together with its wholly-owned subsidiary, namely Sincere Gold Properties Limited, (collectively referred to as "Canton Group") for a total cash consideration of HK$339,980,000. Canton Group owned an industrial property located at Wang Yip Street West, Yuen Long, Hong Kong. The Group acquired the industrial property through acquisition of the entire equity interest in Canton Glory Limited.

Such industrial property was acquired for redevelopment with a view to sale. As at 31 December 2016, the Group had paid deposits totalling of HK$33,998,000 to independent solicitors for the acquisition. The transaction was completed on 24 February 2017.

**Fair values of assets acquired at the date of acquisition were as follows:**

| | HK$'000 |
|---|---|
| Properties held for sale | 339,862 |
| Trade and other receivables | 118 |
| | 339,980 |

## 25. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

### FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

#### a. Acquisition of Canton Group (Continued)

**Cash outflow on acquisition of subsidiaries during the year ended 31 December 2017 was as follows:**

| | HK$'000 |
|---|---|
| Total consideration in cash | 339,980 |
| Less: Deposits paid during the year ended 31 December 2016 | (33,998) |
| Cash outflow on acquisition of subsidiaries | 305,982 |

#### b. Acquisition and disposal of Moon Colour Group

In January 2017, the Group paid a deposit of HK$35,000,000 to independent solicitors for acquiring the entire issued share capital and the right to all debts owing by Moon Colour Holdings Limited and its subsidiaries (the "Moon Colour Group") for a total consideration of HK$350,000,000. The Moon Colour Group owns a property located in Hong Kong. The directors of the Company intended to acquire the property for redevelopment with a view to sale.

Subsequently in August 2017, the Group entered into sale and purchase agreement to dispose of the Moon Colour Group to a third party investor for a total consideration of HK$360,000,000.

Both acquisition and disposal transactions mentioned above were completed on 21 August 2017. The net cash inflow in this transaction is HK$1,508,000, net of transaction costs of HK$8,492,000. The Group recognised a gain on disposal of subsidiary amounted to HK$1,508,000 in respect of this disposal transaction for the year ended 31 December 2017.

# 25. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

## FOR THE YEAR ENDED 31 DECEMBER 2016

### c. Acquisition of Star Finance

On 10 November 2016, the Group acquired 100% equity interest of Star Finance (H.K.) Limited ("Star Finance") from a related company, Galaxy Asset Management Holdings (BVI) Limited ("GAMHL"), for a cash consideration of approximately HK$7,000. GAMHL is wholly-owned by Mr. Chan Man Fai Joe. In addition, the Group also paid a consideration of approximately HK$1,247,000 for an assignment of debt. Star Finance was principally engaged in provision of finance business. The acquisition allows the Group to diversify the Group's business portfolio and also provides a new source of income for the Group. No material acquisition related costs were incurred in the acquisition.

**Fair values of assets acquired at the date of acquisition were as follows:**

| | **Total**<br>HK$'000 |
|---|---|
| Loan receivables | 1,219 |
| Other receivables | 16 |
| Accruals | (9) |
| Amount due to GAMHL | (1,247) |
| | (21) |

The loan receivables and other receivables acquired in the transaction carried fair values of approximately HK$1,219,000 and HK$16,000 respectively. The gross contractual amounts of those receivables acquired amounted to HK$1,219,000 and HK$16,000 respectively at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date.

## 25. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

#### c. Acquisition of Star Finance (Continued)

**Goodwill arising from acquisition were as follows:**

| | HK$'000 |
|---|---|
| Consideration transferred | 7 |
| Add: Fair value of identifiable net liabilities acquired | 21 |
| Goodwill *(Note)* | 28 |

*Note: Full impairment is made in respect of the goodwill of HK$28,000 immediately upon the acquisition.*

**Cash outflow on acquisition of a subsidiary during the year ended 31 December 2016 was as follows:**

| | HK$'000 |
|---|---|
| Total consideration paid in cash | 7 |

Star Finance contributed interest income from loan receivables of HK$49,000 and resulted a net loss of HK$76,000 for the period from the date of acquisition to 31 December 2016.

If the acquisition had been completed on 1 January 2016, the Group's total revenue would be maintained at HK$40,688,000 and profit for the year ended 31 December 2016 would have been HK$21,465,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

## 26. OPERATING LEASE COMMITMENTS

### THE GROUP AS LESSEE

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Minimum lease payments paid under operating leases during the year | | |
| – A residential unit | **1,800** | – |
| – Office units | **1,797** | 1,747 |
| – Motor vehicles | **50** | 120 |
| | **3,647** | 1,867 |

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Within one year | | |
| – A residential unit from a related company | **1,800** | – |
| – Office units from related companies | **106** | 55 |
| – An office unit from a third party | **1,012** | 1,106 |
| – A motor vehicle from a related company | **60** | 120 |
| | **2,978** | 1,281 |
| In the second to fifth year inclusive | | |
| – An office unit from a third party | **–** | 1,012 |
| – A motor vehicle from a related company | **45** | 100 |
| | **45** | 1,112 |
| Total | **3,023** | 2,393 |

The leases are generally negotiated for a lease term of two years of fixed rentals (2016: two years).

## 26. OPERATING LEASE COMMITMENTS (Continued)

### THE GROUP AS LESSOR

Property rental income earned from investment properties and properties held for sale were aggregated to HK$16,281,000 (2016: HK$10,736,000). The properties are expected to generate rental yields of 1% (2016: 1%) on an ongoing basis. Properties held have committed tenants for the next one to three years.

At the end of the reporting period, the Group had contracted tenant for the following future minimum lease payments:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **342** | 2,987 |
| In the second to fifth year inclusive | **–** | 3,320 |
| | **342** | 6,307 |

## 27. CAPITAL COMMITMENTS

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Capital expenditure in respect of the properties development project contracted for but not provided in the consolidated financial statements | **128,005** | 14,003 |
| Commitment in respect of acquisition of equity interest of Canton Group *(Note)* | **–** | 305,982 |
| | **128,005** | 319,985 |

*Note: The amount represented the commitment for cash consideration for the acquisition of Canton Group. Details are set out in note 25(a).*

## 28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Borrowings HK$'000 | Loan from a director HK$'000 | Dividend payables HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2017 | 741,663 | – | – | 741,663 |
| Cash inflow (outflow): | | | | |
| Borrowings raised | 1,412,781 | – | – | 1,412,781 |
| Repayment of borrowings | (439,236) | – | – | (439,236) |
| Advance from a director | – | 135,000 | – | 135,000 |
| Repayment to a director | – | (135,000) | – | (135,000) |
| Interest paid | (37,908) | (309) | – | (38,217) |
| Dividends paid | – | – | (49,280) | (49,280) |
| Non-cash transactions: | | | | |
| Dividends | – | – | 49,280 | 49,280 |
| Interest expense | 39,646 | 309 | – | 39,955 |
| Less: accrued interest as at 31 December 2017 *(note 21)* | (1,738) | – | – | (1,738) |
| At 31 December 2017 | 1,715,208 | – | – | 1,715,208 |

## 29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of net debts (which includes borrowings, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising fully paid share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debt and redemption of existing debt.

# 30. FINANCIAL INSTRUMENTS

## A. CATEGORIES OF FINANCIAL INSTRUMENTS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| AFS investment | **620** | – |
| Loans and receivables (including bank balances and cash) | **179,767** | 49,206 |
| | **180,387** | 49,206 |
| **Financial liabilities** | | |
| Amortised cost | **1,720,281** | 760,414 |

## B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include AFS investment, loan receivables, trade and other receivables, stakeholder's accounts, pledged bank deposits, bank balances and cash, trade and other payables, and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Market risk

#### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate loan from a financial institution (see note 22 for details of such borrowing). Besides, loan receivables, bank balances and bank borrowings at floating rates expose the Group to cash flow interest rate risk as at end of the reporting period. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and Hong Kong Prime Rate arising from the Group's Hong Kong dollars denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for loan receivables and bank borrowings. The analysis is prepared assuming the loan receivables and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. For the year ended 31 December 2017, 50 (2016: 50) basis points increase or decrease representing the assessment of the management of the Group on the reasonably possible change in interest rates.

## 30. FINANCIAL INSTRUMENTS (Continued)

### B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Market risk (Continued)

**Interest rate risk (Continued)**

Sensitivity analysis (Continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- interest capitalised in properties held for sale for the year ended 31 December 2017 would increase/decrease by approximately HK$2,647,000 (2016: HK$2,251,000) which will then be charged to cost of sales and services in consolidated statement of profit or loss and other comprehensive income when the properties are delivered to purchasers and revenue are recognised. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings; and

- post-tax profit for the year ended 31 December 2017 would decrease/increase by approximately HK$4,443,000 (2016: HK$1,167,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loan receivables and bank borrowings.

The directors of the Company consider interest rate exposure to bank balances is immaterial.

**Currency risk**

The Group's transactions and balances are primarily denominated in Hong Kong dollars, the functional currency of the respective group entities, as such the Group has no significant exposure to currency risk.

**Price risk**

The Group is exposed to price risk through its investment in unlisted equity securities. In addition, the Group has appointed the management to monitor the price risk.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. If the price of the equity instrument had been 10% (2016: N/A) higher/lower, investments valuation reserve would increase/decrease by HK$62,000 (2016: N/A) for the Group as a result of the changes in fair value of AFS investment.

#### Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

# 30. FINANCIAL INSTRUMENTS (Continued)

## B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

The credit risk on loan receivables is limited because all loan receivables are pledged with the property units of the borrowers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group is exposed to concentration of credit risk on:

- Loan receivables which are provided to individual third parties with no history of default;
- Liquid funds which are deposited with several banks with high credit ratings; and
- Sales deposits received from properties pre-sold which deposited with several law firms.

Other than above, the Group does not have any other significant concentration of credit risk.

### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The directors of the Company have given careful consideration to the going concern of the Group. The directors of the Company is of the opinion that, taking into account (i) the value of the Group's investment properties and properties held for sales pledged for its borrowings, (ii) presently available undrawn banking facilities and internal financial resources of the Group, and (iii) the construction project of The Rainbow is estimated to be completed and delivered to the buyers within twelve months from the end of the reporting period, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayable on demand clause are included in the earliest time band regardless of the probability of the counterparties choosing to exercise their rights.

# 30. FINANCIAL INSTRUMENTS (Continued)

## B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (Continued)

**Liquidity table**

| | Weighted average effective interest rate | Repayable on demand or less than 3 months | 3 months to 1 year | 1 to 2 years | 2 to 5 years | Total undiscounted cash flows | Total carrying amount |
|---|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 31 December 2017 | | | | | | | |
| Retention payables | – | 5,073 | – | – | – | 5,073 | 5,073 |
| Rental deposits received | – | 7,096 | – | – | – | 7,096 | 7,096 |
| Borrowings | | | | | | | |
| – variable rate | 2.84 | 1,645,208 | – | – | – | 1,645,208 | 1,645,208 |
| – fixed rate | 10 | 70,000 | – | – | – | 70,000 | 70,000 |
| | | 1,727,377 | – | – | – | 1,727,377 | 1,727,377 |

| | Weighted average effective interest rate | Repayable on demand or less than 3 months | 3 months to 1 year | 1 to 2 years | 2 to 5 years | Total undiscounted cash flows | Total carrying amount |
|---|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 31 December 2016 | | | | | | | |
| Construction payables | – | 7,000 | – | – | – | 7,000 | 7,000 |
| Retention payables | – | 11,751 | – | – | – | 11,751 | 11,751 |
| Rental deposits received | – | 1,291 | – | – | – | 1,291 | 1,291 |
| Borrowings | | | | | | | |
| – variable rate | 3.33 | 741,663 | – | – | – | 741,663 | 741,663 |
| | | 761,705 | – | – | – | 761,705 | 761,705 |

## 30. FINANCIAL INSTRUMENTS (Continued)

### B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

**Liquidity table (Continued)**

Borrowings with a repayment on demand clause are included in the "repayable on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2017, the aggregate carrying amounts of these borrowings amounted to HK$1,715,208,000 (2016: HK$741,663,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks/financial institution will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. Aggregate principal and interest cash outflows are set out below:

| | Weighted average effective interest rate % | Repayable on demand or less than 3 months HK$'000 | 3 months to 1 year HK$'000 | 1 to 2 years HK$'000 | 2 to 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Total carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2017** | | | | | | | |
| Borrowings | | | | | | | |
| – variable rates | 2.84 | 41,923 | 948,435 | 425,847 | 321,342 | 1,737,547 | 1,645,208 |
| – fixed rate | 10 | 1,764 | 75,236 | – | – | 77,000 | 70,000 |
| | | 43,687 | 1,023,671 | 425,847 | 321,342 | 1,814,547 | 1,715,208 |

| | Weighted average effective interest rate % | Repayable on demand or less than 3 months HK$'000 | 3 months to 1 year HK$'000 | 1 to 2 years HK$'000 | 2 to 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Total carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2016** | | | | | | | |
| Borrowings | | | | | | | |
| – variable rates | 3.33 | 6,083 | 237,778 | 16,321 | 518,224 | 778,406 | 741,663 |

### C. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group's AFS investment is measured at fair value at the end of each reporting period. Details of recurring fair value measurement of such asset are set out in note 17. During the year, there were no transfers between Level 1 and Level 2, nor transfers into Level 3.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

## 31. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The total expense of HK$189,000 (2016: HK$173,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans during the year ended 31 December 2017.

## 32. RELATED PARTY DISCLOSURES

### (I) TRANSACTIONS

The Group had the following transactions with related parties during the year:

| Name of related parties | Nature of transaction | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Crystal Harbour Development Limited | Finance cost *(Note (a))* | – | 856 |
| Galaxy Asset Management (HK) Limited ("GAMHK") | Rental expenses *(Note (b))* | – | 550 |
| South Project Investment Limited | Finance cost *(Note (a))* | – | 856 |
| Sunny Generation Limited ("Sunny Generation") | Rental expenses *(Note (b))* | 160 | 1,031 |
| Mr. Chan Man Fai Joe (director) | Finance cost *(Note (c))* | 309 | – |
| Mr. Liu Hon Wai (director) | Sales commission *(Note (d))* | 1,875 | – |
| Vogue City Limited ("Vogue City") | Motor vehicle expenses *(Note (e))* | 5 | 100 |
| Vogue Town Limited ("Vogue Town") | Rental of director's quarter *(Note (f))* | 1,800 | – |
| Metropolitan Fine Wine Limited ("Metropolitan Wine") | Entertainment expenses *(Note (g))* | 11 | 107 |
| Metropolitan Lifestyle. (H. K.) Limited ("Metropolitan Lifestyle") | Advertising expenses *(Note (h))* | – | 163 |
| | Motor vehicle expenses *(Note (e))* | 45 | 20 |
| | Entertainment expense *(Note (g))* | 23 | – |
| Metropolitan Kitchen Limited ("Metropolitan Kitchen") | Entertainment expenses *(Note (g))* | 29 | – |
| M&M Kitchen Limited ("M&M Kitchen") | Entertainment expenses *(Note (g))* | – | 139 |
| Metropolitan Workshop Limited ("Metropolitan Workshop") | Rental expenses *(Note (b))* | 477 | – |

## 32. RELATED PARTY DISCLOSURES (Continued)

### (I) TRANSACTIONS (Continued)

*Notes:*

*(a) The loans from related companies carried interest at 15% per annum.*

*(b) Rental expenses charged by GAMHK, Sunny Generation and Metropolitan Workshop were based on office areas occupied by the Group and at a rent agreed by both parties.*

*(c) The loan from director carried interest at 2.9% per annum. The loan amounting to HK$135,000,000 was received and repaid to the director during the year.*

*(d) The sales commission is determined based on agreed terms as set out in the letter of employment.*

*(e) Motor vehicle expenses represented the leasing of motor vehicles from Vogue City and Metropolitan Lifestyle at a price agreed by both parties.*

*(f) The rental expenses represent the leasing of a director's quarter for Mr. Chan Man Fai Joe from Vague Town of a price agreed by both parties.*

*(g) Entertainment expenses represented providing of wines and catering services for consumption from Metropolitan Wine, Metropolitan Kitchen, M&M Kitchen and Metropolitan Lifestyle at a price agreed by both parties.*

*(h) Advertising expenses represented service fees charged by Metropolitan Lifestyle at a price agreed by both parties.*

A director of the Company has significant influence over the above related companies.

### (II) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The directors of the Company are identified as key management members of the Group, and their compensations during the years ended 31 December 2017 and 2016 are set out in note 9.

### (III) PERSONAL GUARANTEE

Loan from a financial institution of HK$70,000,000 as at 31 December 2017 is secured by personal guarantee provided by Mr. Chan Man Fei Joe, the chairman and an executive director of the Company, as disclosed in note 22.

### (IV) OTHER TRANSACTIONS

Details of other transactions with related parties are set out in note 26.

## 33. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Details of the Company's major subsidiaries as at 31 December 2017 and 31 December 2016 are disclosed as follows:

| Name of subsidiary | Place or incorporation/ operations | Paid up capital | Proportion of ownership interest held by the Company | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | 2017 | 2016 | 2017 | 2016 | |
| Bright Port Holdings Limited | Hong Kong | Ordinary share HK$1 | 100% | 100% | 100% | 100% | Property development |
| Fountain Inc Limited | Hong Kong | Ordinary shares HK$10,000 | 100% | 100% | 100% | 100% | Property development and property investment |
| Spring Moon Investments Limited | Hong Kong | Ordinary share HK$1 | 100% | 100% | 100% | 100% | Property development and property investment |
| Rainbow Red Holdings Limited | Hong Kong | Ordinary share HK$1 | 100% | 100% | 100% | 100% | Property development |
| Diamond Vantage Limited | Hong Kong | Ordinary share HK$1 | 100% | 100% | 100% | 100% | Property investment |
| Star Properties (H.K.) Limited | Hong Kong | Ordinary share HK$1 | 100% | 100% | 100% | 100% | Provision of project management and administrative services |
| Star Property Management (HK) Limited | Hong Kong | Ordinary share HK$1 | 100% | 100% | 100% | 100% | Investment holding and provision of property management services |
| Star Finance (H.K.) Limited | Hong Kong | Ordinary share HK$1 | 100% | 100% | 100% | 100% | Provision of finance |
| Sincere Gold Properties Limited | Hong Kong | Ordinary shares HK$200,000 | 100% | – | 100% | – | Property development |
| Diamond Ocean Investments Limited | Hong Kong | Ordinary share HK$1 | 100% | – | 100% | – | Property development |

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting periods, the Company has other subsidiaries that are not material to the Group. All subsidiaries of the Company operate in Hong Kong.

None of the subsidiaries had issued any debt securities at the end of the year.

## 34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Non-current Assets** | | |
| Investments in subsidiaries | 48,062 | 9,204 |
| Amounts due from subsidiaries *(Note (1))* | 689,931 | – |
| | 737,993 | 9,204 |
| **Current Assets** | | |
| Other receivables | 219 | 822 |
| Amounts due from subsidiaries *(Note (2))* | 183,806 | 275,206 |
| Bank balances and cash | 2,558 | 172 |
| | 186,583 | 276,200 |
| **Current Liabilities** | | |
| Other payables | 1,677 | 92 |
| Amounts due to subsidiaries | 225,501 | – |
| Borrowings | 216,000 | – |
| | 443,178 | 92 |
| **Net Current (Liabilities) Assets** | (256,595) | 276,108 |
| **Net Assets** | 481,398 | 285,312 |
| **Capital and Reserves** | | |
| Share capital | 6,272 | 2,240 |
| Reserves | 475,126 | 283,072 |
| **Total Equity** | 481,398 | 285,312 |

*Notes:*

*(1) The amounts due from subsidiaries classified under non-current assets are unsecured, interest-free and repayable on demand. In the opinion of the directors, based on their assessment as at the end of the reporting period of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries will not be repayable within one year from the end of the reporting period, accordingly these amounts are classified as non-current. The amounts due from subsidiaries are discounted at effective interest rate of 2.84% per annum, representing the borrowing rates of the relevant subsidiaries, with corresponding adjustments of HK$38,858,000 debited to investments in subsidiaries as deemed contribution to those subsidiaries.*

*(2) The amounts due from subsidiaries classified under current assets are unsecured, interest-free and repayable on demand. The directors expect these amount will be repaid within twelve months from the end of the reporting period, accordingly, these amounts are classified as current assets.*

## 34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

### MOVEMENT IN THE COMPANY'S SHARE CAPITAL AND RESERVES

| | | Reserves | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Share options reserve HK$'000 | Shareholders' contribution HK$'000 | Retained earnings HK$'000 | Sub-total HK$'000 | Total HK$'000 |
| At 4 March 2016 (date of incorporation) * | – | – | – | – | – | – | – |
| Issue of ordinary shares pursuant to the group reorganisation * | – | – | – | – | – | – | – |
| Profit and total comprehensive income for the period | – | – | – | – | 3,376 | 3,376 | 3,376 |
| Issue of new shares by global offering *(note 23(e))* | 560 | 100,240 | – | – | – | 100,240 | 100,800 |
| Issue of new shares by capitalisation *(note 23(f))* | 1,680 | (1,680) | – | – | – | (1,680) | – |
| Wavier of amounts due to directors | – | – | – | 190,000 | – | 190,000 | 190,000 |
| Expense incurred in connection with the issue of new shares *(note 23(e))* | – | (8,864) | – | – | – | (8,864) | (8,864) |
| At 31 December 2016 | 2,240 | 89,696 | – | 190,000 | 3,376 | 283,072 | 285,312 |
| Profit and total comprehensive income for the year | – | – | – | – | 100,062 | 100,062 | 100,062 |
| Issue of bonus shares *(note 23(g))* | 2,240 | (2,240) | – | – | – | (2,240) | – |
| Issue of new shares by open offer *(note 23(h))* | 1,792 | 132,608 | – | – | – | 132,608 | 134,400 |
| Recognition of equity-settled share based payment *(note 24)* | – | – | 12,543 | – | – | 12,543 | 12,543 |
| Dividend paid *(note 10)* | – | – | – | – | (49,280) | (49,280) | (49,280) |
| Expenses incurred in connection with the issue of new shares *(note 23(h))* | – | (1,639) | – | – | – | (1,639) | (1,639) |
| At 31 December 2017 | 6,272 | 218,425 | 12,543 | 190,000 | 54,158 | 475,126 | 481,398 |

* *Less than HK$1,000.*

## 35. EVENT AFTER THE REPORTING PERIOD

In January 2018, the Group entered into certain provisional sale and purchase agreements to acquire all workshop units in an industrial building, which is located at Tung Chau Street, Kowloon, Hong Kong. As at the date of these consolidated financial statements, the acquisitions are still underway. The directors of the Company consider that it is not practicable to provide a reasonable estimate of that effect until the acquisitions and detailed review have been completed.

## PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2017

| Name of Property | Location | Approximate gross floor area upon completion (sq.ft.) | Use | Stage of completion | Expected completion date | Attributable interest of the Group |
|---|---|---|---|---|---|---|
| The Galaxy – *one workshop on 12/F* | No. 313 Castle Peak Road, Kwai Chung, Tsuen Wan, New Territories, Hong Kong | N/A | Industrial | Completed | N/A | 100% |
| The Rainbow (Formerly known as Yue Fung Property) | No. 22, Wang Yip Street South, Yuen Long, New Territories, Hong Kong | 93,100 | Commercial | Under Development | 2018 | 100% |
| CWK Property | Nos. 11–15, Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong | 154,973 | Commercial | Under Development | 2020 | 100% |
| Yuen Long | No. 21, Wang Yip Street West, Yuen Long, New Territories, Hong Kong | 171,150 | Residential | Under Development | 2021 | 100% |
| Kwun Tong | Nos. 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong | 151,200 | Commercial | Under Development | 2022 | 100% |

## INVESTMENT PROPERTIES AS AT 31 DECEMBER 2017

| Name of Property | Address & Location | Existing Use | Condition/nature | Attributable interest of the Group |
|---|---|---|---|---|
| The Galaxy<br>*– 10 parking spaces* | 1/F of the Galaxy, No. 313 Castle Peak Road, Kwai Chung, Tsuen Wan, New Territories, Hong Kong | Industrial | Currently leased to various Independent Third Parties | 100% |
| The Star<br>*– 19 parking spaces* | G/F & 1/F of the Star, No. 18 Yip Shing Street, Kwai Chung, New Territories, Hong Kong | Industrial | Currently leased to various Independent Third Parties | 100% |

## DEVELOPMENT PROJECTS AS AT 31 DECEMBER 2017

| Name of Property | Location | Approximate gross floor area prior to the completion of development (sq.ft.) | Approximate gross floor area upon completion of development (sq.ft.) | Use | Estimated completion date | Stage of completion | Attributable interest of the Group |
|---|---|---|---|---|---|---|---|
| The Galaxy | No. 313 Castle Peak Road, Kwai Chung, Tsuen Wan, New Territories, Hong Kong | N/A *(Note 1)* | 152,254 | Industrial | N/A | Completed | 100% |
| The Star | No. 18 Yip Shing Street, Kwai Chung, New Territories, Hong Kong | 44,564 *(Note 2)* | 94,967 | Industrial | N/A | Completed | 100% |
| The Rainbow | No. 22, Wang Yip Street South, Yuen Long, New Territories, Hong Kong | 93,100 | 93,100 | Commercial | 2018 | Under Development | 100% |
| CWK Property | Nos. 11–15, Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong | 40,979 | 154,973 | Commercial | 2020 | Under Development | 100% |

| Name of Property | Location | Approximate gross floor area prior to the completion of development (sq.ft.) | Approximate gross floor area upon completion of development (sq.ft.) | Use | Estimated completion date | Stage of completion | Attributable interest of the Group |
|---|---|---|---|---|---|---|---|
| Yuen Long | No. 21, Wang Yip Street West, Yuen Long, New Territories, Hong Kong | 51,773 | 171,150 | Residential | 2021 | Under Development | 100% |
| Kwun Tong | Nos. 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong | 82,434 | 151,200 | Commercial | 2022 | Under Development | 100% |

*Notes:*

1. *The industrial property acquired for the redevelopment project of The Galaxy was a vacant development site and therefore it did not have a gross floor area.*

2. *This was the gross floor area of the original building which was demolished prior to the construction of The Star.*

# FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

## CONSOLIDATED RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| REVENUE | **732,390** | 40,688 | 78,672 | 611,811 | – |
| PROFIT BEFORE TAX | **122,261** | 24,479 | 42,130 | 232,728 | 16 |
| Income tax credit/(expense) | **(26,447)** | (2,740) | (5,028) | (36,638) | 212 |
| PROFIT FOR THE YEAR | **95,814** | 21,739 | 37,102 | 196,090 | 228 |
| Attributable to: | | | | | |
| Owners of the Company | **95,814** | 21,739 | 37,102 | 196,090 | 228 |

## CONSOLIDATED ASSETS AND LIABILITIES

| | 31 December | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| TOTAL ASSETS | **2,463,507** | 1,365,903 | 1,145,568 | 665,817 | 494,249 |
| TOTAL LIABILITIES | **(1,821,541)** | (915,775) | (999,113) | (557,197) | (490,580) |
| NET ASSETS | **641,966** | 450,128 | 146,455 | 108,620 | 3,669 |

Note: *The results and summary of assets and liabilities for each of the three years ended 31 December 2013, 2014 and 2015 which were extracted from the Prospectus of the Global Offering have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout those years.*