STAR

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 2019

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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

11/F, TG Place,
No. 10 Shing Yip Street,
Kwun Tong, Kowloon,
Hong Kong

COMPANY WEBSITE

www.starproperties.com.hk

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

Mr. Chan Man Fai Joe (陳文輝)
Ms. Cheung Wai Shuen (張慧璇)
Mr. Liu Hon Wai (廖漢威)
Prof. Pong Kam Keung (龐錦強)

NON-EXECUTIVE DIRECTOR

Mr. Yim Kwok Man (嚴國文)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Shiu Siu Tao (蕭少滔)
(Resigned on 24 January 2020)
Mr. Lee Chung Ming Eric (李仲明)
Ms. Chan Wah Man Carman (陳華敏)
Dr. Wong Wai Kong (黃偉桄)
(Appointed on 24 January 2020)

COMPANY SECRETARY

Ms. Cheung Wai Shuen (HKICS)

AUDIT COMMITTEE

Ms. Chan Wah Man Carman *(Chairman)*
Mr. Lee Chung Ming Eric
Mr. Shiu Siu Tao
(Resigned on 24 January 2020)
Dr. Wong Wai Kong
(Appointed on 24 January 2020)

NOMINATION COMMITTEE

Mr. Chan Man Fai Joe *(Chairman)*
Mr. Yim Kwok Man
(Stepped down to be member on 24 January 2020)
Mr. Shiu Siu Tao
(Resigned on 24 January 2020)
Mr. Lee Chung Ming Eric
Dr. Wong Wai Kong
(Appointed on 24 January 2020)

REMUNERATION COMMITTEE

Mr. Shiu Siu Tao *(Chairman)*
(Resigned on 24 January 2020)
Ms. Chan Wah Man Carman *(Chairman)*
(Re-designated from member to chairman on 24 January 2020)
Mr. Chan Man Fai Joe
Dr. Wong Wai Kong
(Appointed on 24 January 2020)

RISK CONTROL COMMITTEE

Mr. Yim Kwok Man *(Chairman)*
Mr. Chan Man Fai Joe
Ms. Cheung Wai Shuen
Prof. Pong Kam Keung
Mr. Lee Chung Ming Eric

EXECUTIVE COMMITTEE

Mr. Chan Man Fai Joe *(Chairman)*
Ms. Cheung Wai Shuen
Mr. Liu Hon Wai
Prof. Pong Kam Keung

AUTHORISED REPRESENTATIVES

Mr. Chan Man Fai Joe
Ms. Cheung Wai Shuen

PRINCIPAL BANKERS

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

The Hong Kong and Shanghai
Banking Corporation
1 Queen's Road Central

Hang Seng Bank
83 Des Voeux Road, 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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Star Properties Group (Cayman Islands) Limited (the "Company", together with the subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2019.

For the year ended 31 December 2019, we recorded a total revenue of $120.0 million, a 82.13% decrease from $671.7 million in total revenue reported for the year ended 31 December 2018. This was mainly due to fewer numbers of properties sold during the same period. Net profit attributable to shareholders was HK$5.7 million for the year ended 31 December 2019 and earnings per share was HK0.9 cents. The Board recommended a final dividend of HK0.2 cents per ordinary shares.

2019 was an eventful year: the trade war tensions between the US and China; the social movement in Hong Kong; the policy changes in the property market; all made operating environment increasingly difficult. In view of the global uncertainties, the Board decided to dispose one of the commercial property projects, the CWK project. The Board has considered such disposal because the transaction realized approximate HK$384 million gain before tax to the Group in the beginning of 2020. The sale would also free up working capital for the business operation of the Group. In the previous financial year, the Group has also diversified its business geographic exposure to include South Korea, which is one of the fastest growing countries in the world.

The Board has reviewed that the Group's principal business activities include, amongst other things, property development and investments, which are capital intensive and may lead to significant fluctuation in profitability between different periods. In order to strengthen the value of the Group's asset base, and at the same time generate more stable and regular income for the Group, the Board considers acquiring several operating entities that operate in the business of provision of stylish space including serviced apartments, workshops, storage and wine cellars under an established "Metropolitan" brand together with their self-owned properties. There is a growing trend in the global property market to integrate different lifestyle facilities like co-working space, storage space and wine cellar into living space. There is synergy to the Group by operating the lifestyle business. For example, in projects such as Kwun Tong Site Project, Yuen Long Site Project, Tack Lee Project, etc., the additional lifestyle elements will help to increase the value of different developed properties in the future. It is believed that rental income to be generated from leasing out the whole property directly to the independent third party or the value of the investment properties are expected to increase. Thus, the Board believes that the acquisition are in the interest to the Company and its shareholders as a whole as it would create synergy to the Group's existing property development business. It will also help to provide a more regular income for the Group. More details of the acquisitions and the businesses to be acquired are available in the announcement dated 24 January 2020.

We will monitor the market conditions and government policies cautiously and will launch our sales at appropriate timing, subject to obtaining the necessary approvals required from the relevant authorities. At the same time, we will continue to develop our brand image by building and delivering products with style and quality that exceed customers' expectation.

I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their continuous support and trust Lastly, I like to thank my fellow directors for their concerted efforts and insights through the past years. and also the management team and other colleagues for their unwavering commitment to the Group's business.

Chan Man Fai Joe
Chairman

11 March 2020

FINANCIAL RESULT

For the financial year ended 31 December 2019, the Group's revenue and profit attributable to owners of the Company amounted to approximately HK$120.0 million (2018: approximately HK$671.7 million) and approximately HK$5.7 million (2018: approximately HK$191.8 million) respectively.

FINAL DIVIDENDS

The board of directors (the "Director(s)") of the Company (the "Board") does recommend the payment of final dividend of HK0.2 cents per ordinary share for the year ended 31 December 2019 (2018: HK15.5 cents) which is subject to the approval by the shareholders of the Company.

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 2019 amounted to approximately HK$120.0 million (2018: approximately HK$671.7 million), which represented a decrease of approximately HK$551.7 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2019 was approximately HK$5.7 million (2018: approximately HK$191.8 million), which represented a decrease of approximately HK$186.1 million from last year. Both the decrease in revenue and decrease in gross profit were mainly due to decrease of the completion and delivery of sold units during the year. The basic and diluted earnings per share for the period was approximately HK0.9 cents and HK0.9 cents, respectively, as compared to basic and diluted earnings per share of approximately HK30.6 cents and HK30.6 cents, respectively. 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$109.8 million (2018: approximately HK$667.2 million). Segment results for the year amounted to approximately HK$27.1 million (2018: approximately HK$267.2 million). The drop in segment results in property development is mainly due to decrease in number of properties sold in 2019. As at 31 December 2019, the Group had three completed projects, namely, (a) The Galaxy; (b) The Star and (c) The Rainbow; and six projects under development, namely, (d) the CWK Project; (e) Yuen Long site; (f) Kwun Tong site; (g) Tack Lee Project; (h) Seongsu Project and (i) Sausage Project. A general summary and update of the property development projects of the Group during the reporting year and as at 31 December 2019 are listed below:

(a) The Galaxy: Completion and delivery of 2 motorcycle car parking spaces amounted to HK$0.8 million in the year ended 31 December 2019 (2018: Completion and delivery of 8 car parking spaces amounted to HK$10.5 million). All units of The Galaxy, except 1 unit of office, have been sold out and delivered.

(b) The Star: All units of The Star, except 3 car parking spaces which are classified as investment properties, have been sold out and delivered. Revenue amounted to HK$24.3 million was recognised in the year ended 31 December 2019 (2018: approximately HK$14.1 million).

(c) The Rainbow: Major construction work was certified and completed in 2018 and the remaining minor alterations and additions works were completed in 2019. Completion and delivery of 7 units amounted to approximately HK$85.5 million in the year ended 31 December 2019 (2018: approximately HK$653.1 million for the completion and delivery of 108 units).

(d) CWK Project: The Group was planned to redevelop the property into a commercial building for general retail and office use and the foundation work was commenced. In view of the economic uncertainties due to US-China trade war and local political movement in the second quarter of 2019, the Group decided to dispose the CWK Project to reduce the risk exposure. The Group has entered into a sales and purchase agreement on 31 December 2019 to sell the entire issued share capital and shareholder's loan of the holding company of CWK Project (the "Disposal"). A relevant announcement has been made on the same day. The Disposal was completed on 9 January 2020 while the release of the remaining purchase consideration would be subject to fulfilment of certain terms and conditions as specified in the sale and purchase agreement. Upon reconsideration of the transactions involving change in control of entities instead of transfer of control of assets to customers, the Group decided to treat such disposal as a very substantial disposal and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange. Upon the completion of the Disposal, CWK Project is no longer as one of the development projects of the Group.

(e) Yuen Long Site Project: The Group intends to redevelop it into a residential complex with some shops on ground floor. This project is positioned as a luxury and stylish condominium residential complex targeting at young residents pursuing high quality and design driven lifestyle. The Group has obtained town planning approval from the Town Planning Board in the second quarter of 2019, has submitted application for lease modification in the third quarter of 2019 to the Lands Department, and has obtained building plans approval in the February 2020 from the Buildings Department of the Hong Kong Special Administrative Region. The Group has completed the hoarding work and demolition work. Foundation work for the new redevelopment was started at the end of 2018. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

(f) Kwun Tong Site Project: The Group intends to redevelop it into a high end prestigious commercial building. Hoarding plans and demolition plans have already been approved by the Buildings Department of the Hong Kong Special Administrative Region, and demolition of the existing building commenced in the third quarter of 2019. The Group has submitted town planning application in the fourth quarter of 2019. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

(g) Tack Lee Project: The Group intended to carry out alteration and additions work to upgrade the industrial building. The Group has entered into a termination agreement to terminate the last tenancy contract of the building in July 2019. In light of the new initiatives of the revitalization of industrial building announced in the Policy Address by the Chief Executive in the fourth quarter of 2018, the Group is going to redevelop and reconstruct a new building at the site. Demolition of the existing building was commenced in the third quarter of 2019 and it is scheduled to be completed in the first quarter of 2020. The Group has submitted town planning application to the Town Planning Board for minor relaxation of plot ratio in the third quarter of 2019. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

(h) Seongsu Project: The site is located in Seongsu area of Seoul, South Korea and the Group intends to redevelop the existing two storey building into a high end prestigious commercial building. In the past few years, Seongsu area has been rapidly transformed from an industrial district comprised of old factories and warehouses into a commercial district that attracted the young generation and entrepreneurs. The building was acquired together with one tenant and the Group has entered into a termination agreement with the tenant to vacant the building in September 2019. Building plan approval has already been obtained from the relevant government department of South Korea. The Group is in the tendering process to finalize the selection of construction company for the project. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

(i) Sausage Project: The Group acquired the site which is located in the Seongsu area of Seoul, South Korea in the first half of 2019. The site does not have any building on it and the Group intends to develop it into a high end prestigious commercial building. Building plan approval has already been obtained from the relevant government departments of South Korea. The Group is in the tendering process to finalize the selection of construction company for the project. Together with Seongsu Project, they would be regarded as a landmark for the Group in the Seongsu area. Upon the completion of the property redevelopment work, the Group intends to sell out the whole building to generate revenue.

In the year of 2019, the Group has taken a more conservative approach to monitor the market condition and concentrate on development of the existing projects. Going forwards, the Group will continue to pay ongoing attention to the latest property market in Hong Kong and worldwide to ensure the Group would be able to capture the best development opportunities.

PROPERTY INVESTMENT

As at 31 December 2019, the total carrying value of the Group's portfolio of investment properties, amounted to approximately HK$52.0 million (31 December 2018: approximately HK$13.5 million), which comprised of 3 car parking spaces located in Hong Kong, under The Star, with a total carrying value of approximately HK$5.0 million (31 December 2018: approximately HK$13.5 million); and 2 units of an industrial building, which was newly acquired in October 2019, located in Hong Kong with a total carrying value of approximately HK$47.0 million (31 December 2018: nil).

Revenue recognised in this business segment during the year amounted to approximately HK$0.5 million (2018: approximately HK$0.7 million), representing a decrease of approximately HK$0.2 million over last year. The decrease in gross rental income was mainly due to sales of car parking spaces during the period. In addition to the 2 newly acquired industrial building units in October 2019 as disclosed above, the Group would continue to increase the proportion of investment property for rental and capital appreciation to generate more stable rental income.

PROVISION OF PROPERTY MANAGEMENT SERVICES

The Group used to provide the property management services for our three completed projects, The Galaxy, The Star and The Rainbow, by appointing Jones Lang Lasalle Management Services Ltd. as the management agent. In order to enhance the services quality and better serve the end users, the Group took back the property management services from Jones Lang Lasalle Management Services Ltd. in the third quarter of 2019. Revenue recognised in this business segment during the year amounted to approximately HK$2.7 million (31 December 2018: approximately HK$1.1 million), the Group expects this segment of business to be expanded as the increase of its upcoming completed projects and provision of services to other property owners or developers.

PROVISION OF FINANCE

The Group is operating in this business segment to provide credit facilities to individuals and corporations clients for its own development projects. Revenue generated from this business segment during this year amounted to approximately HK$7.0 million (2018: HK$2.7 million), representing an increase of approximately HK$4.3 million over the corresponding period last year. The increase in revenue was mainly attributable to providing credit facilities for the completed projects, The Star and The Rainbow. Segment results for the year amounted to approximately HK$1.9 million (2018: approximately HK$1.3 million). The Group expects this business segment will continue to growth healthily under the continuous tightening of mortgage lending policy in Hong Kong and as the increase of our completed projects.

CAPITAL STRUCTURE

Details of the movements in the Company's share capital are set out in note 27 of the notes to the consolidated financial statements of this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 31 December 2019 was approximately HK$709.1 million (31 December 2018: approximately HK$792.6 million). As at 31 December 2019, the Group maintained bank balances and cash of approximately HK$62.3 million (31 December 2018: approximately HK$121.4 million). The Group's net current assets of approximately HK$484.3 million as at 31 December 2019 (31 December 2018: approximately HK$573.3 million). The Group had current assets of approximately HK$3,264.7 million as at 31 December 2019 (31 December 2018: approximately HK$3,103.7 million). The increase of current assets was mainly due to an increase in property held for sales under development as well as the new development project disclosed in above Property Development segment. The Group had current liabilities of approximately HK$2,780.5 million as at 31 December 2019 (31 December 2018: approximately HK$2,530.4 million). The increase of current liabilities was mainly due to an increase in bank borrowings and short-term loan from a director. The Group's level of borrowings is disclosed under note 26 of the notes to the consolidated financial statements in this annual report.

The Group generally finances its operations with internally generated cashflow and bank borrowings. As at 31 December 2019, the Group had outstanding bank borrowings of approximately HK$2,580.2 million (31 December 2018: approximately HK$2,364.4 million). The bank borrowings as at 31 December 2019 were secured by the Group's properties, pledged bank deposits, as disclosed in page 10 under "Pledge of Assets", and corporate guarantee.

The Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as the total borrowings net of cash and cash equivalents divided by total equity) increased from approximately 298.3% as at 31 December 2018 to approximately 369.4% as at 31 December 2019 and increased from approximately 283.0% as at 31 December 2018 to approximately 360.6% as at 31 December 2019 respectively due to the increase in bank borrowings and decrease in equity attributable to owners of the Company.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) increased from approximately 67.5% as at 31 December 2018 to approximately 73.3% as at 31 December 2019 due to an increase in bank borrowings and short-term loan from a director.

The Group's capital commitment as at 31 December 2019 amounted to approximately HK$99 million (31 December 2018: approximately HK$213.6 million). The decrease of capital commitment was mainly due to the completion of The Rainbow and termination of outstanding contract upon disposal of CWK Project.

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

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

FOREIGN EXCHANGE

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments in South Korea which are denominated in United States dollars and Korean Won. The Group acquired 2 sites in South Korea as disclosed under Property Development section and the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in US dollars and Korean won.

As at 31 December 2019, offshore borrowings were approximately Korean Won 17 billion, which is approximately HK$114.3 million (31 December 2018: approximately Korean Won 14 billion, which is approximately HK$98 million), for the acquisition of 2 sites in South Korea. The offshore borrowings of bridging loan will be replaced by offshore construction loan and is expected to be repaid after the completion and disposal of South Korea Project. The finance cost remains low at approximately 3.5% as at 31 December 2019.

The Group is not subject to a significant foreign currency risk as the revenue, expenses and borrowings of the Group's foreign operating subsidiaries are denominated in the functional currencies of those operations. Foreign currency funding and deposit exposure are monitored on a continuous basis. Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency. The management of the Group is of the opinion that the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the reporting period. Therefore, the Group does not engage in any hedging activities.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK$52.0 million and HK$3,150.9 million as well as HK$10.3 million respectively (31 December 2018: approximately HK$13.5 million and HK$2,904.6 million, as well as HK$10.1 million respectively) were pledged to secure the Group's banking facilities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Save as disclosed in this Annual Report the Board and the management are not aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

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

There was no significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the reporting period.

On 31 December 2019, Inventive Rainbow Limited, an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party to dispose of entire equity interest of Rainbow Red Holdings Limited, a property development company, for a consideration of HK$980,000,000. An initial deposit of HK$98,000,000 was received subsequently. The transaction was completed on 9 January 2020. A gain before tax of approximately HK$384,000,000 is expected upon completion.

On 24 January 2020, the Group made an announcement in related to an acquisition of Metropolitan Group (BVI) Limited and its subsidiaries which is principally engaged in serviced apartment business, wine cellar and fine wine business, storage and workshop and production and other investment holding service, from a controlling shareholder of the Company, for a consideration of HK$420,000,000. Initial deposits of HK$42,000,000 were paid to the vendor subsequently and the remaining consideration of HK$378,000,000 will be settled through issuing a convertible bond to the vendor upon completion. The transaction has not yet been completed up to date of the report.

Save as disclosed in this Annual Report, the Group did not have other plans for material investments or capital assets as of 31 December 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed 22 employees (31 December 2018: 16) and appointed 8 Directors. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to individual performance, working experience, qualification and the current relevant industry practices. Apart from base salary and statutory provident fund scheme, discretionary bonus and share options may be granted to selected staff by reference to the Group's as well as the individual's performances. Other forms of benefits such as on-the-job and external training to staff are also provided. The Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Group maintains a good relationship with its employees.

POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its businesses, financial condition, operations and prospects, and considered that the major risks and uncertainties that may affect the Group included (i) economic conditions particularly the property market performance; (ii) availability of suitable sites and/or existing buildings for future property development; (iii) the continuous increase of construction costs; (iv) business cycle for property under development may be influenced by a number of factors, such as delays in obtaining the 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) a majority part of our revenue principally depends on the sales of properties which may lead to significant fluctuation of profitability in different periods; (vii) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (viii) credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy; and (ix) we are subject to certain restrictive covenants and risk normally associated with borrowings which may limit or otherwise materially and adversely affect our business, results of operations and financial conditions.

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 risk control 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 has also engaged internal auditor to review the internal operation flow to ensure the compliance with relevant rules and regulations. The Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

IMPACT OF NOVEL CORONAVIRUS ("COVID-19") OUTBREAK TO THE GROUP

Since late 2019 to the beginning of 2020, a novel coronavirus broke out in Wuhan, China. As the coronavirus rapidly spreads, it became a worldwide concern. It poses challenges across various industries as well as people's livelihoods. The Group has taken immediate action to minimise the impact of the coronavirus outbreak to our business operation. The Group adopted several precautionary measures to protect our workplace from outbreak by providing clear and timely guidelines to all staffs; daily following up on all staff's health status, travel history and potentially infectious contacts; providing extra sanitisation products and air purifier machine. Besides, the Group is also closely communicating with the business partners to follow-up different schedules and planning. The outbreak of coronavirus has slowed down most of the economic activities which may indirectly bring impact to the property market in Hong Kong and South Korea. However, we are optimistic that the economic dynamics will be revived after the threat. As mentioned in the Chairman's Statement, the Group will continue to monitor the market conditions while explore any new investment and growth opportunities to improve the cash flow and high fluctuation of business turnover cycle of the Group.

PROSPECT

In the second half of 2019, US-Sino trade war together with the social actions and unrest took a hit on the business environment and tourism in Hong Kong. As such, the year-end residential price indicated by Centa-City Index had dropped by about 6.8% from the record high in 2019. However, the Hong Kong residential market is resilient fueled by the deal made between America and China coming down to the trade dispute so that about 4% price increase in the residential market is recorded in the whole year of 2019.

Nevertheless, the outbreak of COVID-19 in China and its spreading is further dampening the weakened retail market and economy of Hong Kong, so does the Hong Kong property market, in particular the retail sector. The gloom and mourning in food and beverage as well as tourist industry are widespread. After all, we are not pessimistic about the property market in the following reasons.

First off, according to World Health Organization, this Coronavirus is the same family as SARS-CoV which struck the economy of Hong Kong after its outbreak in 2003. However, the SARS-CoV becomes a very rare disease if not none after the settlement of the epidemic in 2003. As such, we believe the epidemic of this Coronavirus is short term in nature and will be controlled or even ended in couples of months. Secondly, as this epidemic is getting the economy of China burnt, we believe the Government of China will take several measures in both monetary and fiscal policies such as injecting capital into the financial market and increasing government expenditures to help the economy to bounce back from this crisis. Along the way, the pain in Hong Kong arising from this epidemic will be mitigated. Thirdly, the American together with other western countries have a high likelihood to maintain a relatively loosen monetary policies and keep the interest rate low or even lower in the middle of the epidemic happened in China. In turn, the property market in Hong Kong will be benefited and supported in some way.

Despite these uncertainties in the market, the Group is well prepared to face the challenges and try to stabilize the Group's income. We remain optimistic on the commercial and residential market in Hong Kong and will continue to strategically explore appropriate landbanks and related business when strategically possible.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chan Man Fai Joe (陳文輝), aged 61, 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 38 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 44, 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 19 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 53, 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 25 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. Mr. Liu did not hold any other directorships in listed public companies in the last three years.

Prof. Pong Kam Keung (龐錦強), aged 58, is an executive Director of the Company since 1 September 2018. He was a non-executive Director of the Company since 14 March 2016 until his re-designation as an executive Director. Prof. Pong is also a member of the risk control committee focusing on compliance related matters. Prof. Pong has been an independent non-executive director of Shuang Yun Holdings Limited (stock code: 1706) since October 2017, a company listed on the Main Board of the Stock Exchange which engages in roadworks services and construction machinery rental services in Singapore; an independent non-executive director of HKE Holdings Limited (stock code: 1726) since March 2018, a company listed on the Main Board of the Stock Exchange which provides integrated design and building services for hospitals and clinics in Singapore; and other construction works; and an independent non-executive director of FSM Holdings Limited (stock code: 1721) since June 2018, a company listed on the Main Board of the Stock Exchange which is a sheet metal facilitator with a focus on precision engineering and a precision machine service provider based in Singapore. Prof. Pong was an executive director of Sundart Holdings Limited (stock code: 1568) from July 2015 to February 2018, a company listed on the Main Board of the Stock Exchange and an integrated fitting out contractors in Hong Kong and Macau. He was also an independent non-executive director of Wang Yang Holdings Limited (stock code: 1735), now known as Central Holding Group Company Limited, from March 2018 to October 2019, a company listed on the Main Board of the Stock Exchange which is a contractor in Hong Kong undertaking foundation, superstructure and other construction works. Prof. Pong is also an adjunct professor in the Division of Environment and Sustainability of the Hong Kong University of Science and Technology since December 2013.

Prof. 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, and a degree in Doctor of Philosophy from the Hong Kong Polytechnic University. Prof. 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. Prof. Pong is registered as a chartered building engineer by the Chartered Association of Building Engineers in February 2014. Save as disclosed above, Prof. Pong had not held any other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

NON-EXECUTIVE DIRECTORS

Mr. Yim Kwok Man (嚴國文), aged 51, is a non-executive Director of the Company since 14 March 2016. Mr. Yim is the chairman of the risk control committee focusing on compliance related matters. Mr. Yim has over 23 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) since November 2012, a company listed on the Main Board of the Stock Exchange which is a food and catering services provider; and an independent non-executive Director of Apex Ace Holding Limited (stock code: 6036) since February 2018, a company listed on the Main Board of Stock Exchange which is the suppliers of digital storage products and electronic components. 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 56, was an independent non-executive Director of the Company since 27 June 2016 and was resigned from his position with effect from 24 January 2020 due to personal issues. Before his resignation, Mr. Shiu was the chairman of the remuneration committee and a member of the audit committee and nomination committee. Mr. Shiu has more than 26 years of experience in corporate finance and he was previously a Director of First Capital International Finance Limited; Senior Vice 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 55, 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 51, joined the Group as an independent non-executive Director since 27 June 2016. Ms. Chan is the chairman of the audit committee and the chairman of the remuneration committee of the Company. Ms. Chan possesses over 26 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 2001, she has been a responsible officer to conduct type 6 (advising on corporate finance) and since January 2019, she has been a responsible officer to conduct type 1 (dealing in Securities) regulated activity under the SFO. Ms. Chan has been an independent non-executive 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.

Dr. Wong Wai Kong (黃偉桄), aged 54, joined the Group as an independent non-executive Director since 24 January 2020. Dr. Wong is a member of the audit committee; remuneration committee and nomination committee of the Company. Dr. Wong obtained a Bachelor Degree of Business Administration from the Hong Kong Baptist University in Hong Kong in November 1990, a Master Degree of Business Administration from the University of Sheffield in the United Kingdom in May 1995, a Master Degree of Science in Business Information Technology from the Middlesex University in the United Kingdom in January 2003 and a Doctor of Philosophy in Business Administration from the Bulacan State University in the Republic of the Philippines in July 2015. Dr. Wong has over 20 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. Dr. Wong is a Certified Public Accountant (practicing) in Hong Kong and a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Dr. Wong is currently the head of finance of Pangaea (H.K.) Limited, a company engaged in trading of electronic parts. Dr. Wong is currently a non-executive director of Kam Hing International Holdings Limited (stock code: 2307) since January 2018, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") engaged in manufacture and trading of knitted fabrics, dyed fabrics and yarns. Before that, he had been an executive Director of Kam Hing International Holdings Limited during January 2008 to December 2017. Dr. Wong had been an independent non-executive director of EEKA Fashion Holdings Limited (formerly known as Koradior Holdings Limited) (stock code: 3709) from June 2014 to July 2017, a company listed on the Main Board of the Stock Exchange engaged in leather garment manufacturing and retails business; and an independent non-executive director of Million Stars Holdings Limited (formerly known as Odella Leather Holdings Limited) (stock code: 8093) during January 2015 to March 2017, a company listed on GEM of the Stock Exchange engaged in fashion retails business. Save as disclosed, Dr. Wong did not hold any other directorships in listed public company 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 17 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.

Wong Tin Hung (黃天洪), 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. Wong has over 23 years of experience in civil and building construction. Mr. Wong graduated from the University of California, Los Angeles, USA with a Bachelor Degree in Civil Engineering in 1995.

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 10 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.

Wong Suk Wan (黃淑雲), is a Director of Finance of Star Properties and is primarily responsible for accounting and financial management, tax, treasury, internal control and other finance related matters of the Group. Ms. Wong has over 20 years of experience in the relevant experience. Ms. Wong obtained a Master of Professional Accounting from The Hong Kong Polytechnic University in 2003 and has been an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants since 2001 and 2005 respectively.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the Company's annual report for the year ended 31 December 2019.

The Board is dedicated to maintain a high standard of corporate governance practices and business ethics as the firm believes 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 the code provisions under the CG Code contained in Appendix 14 in the Listing Rules, as well as 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 2019.

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

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

THE BOARD

BOARD COMPOSITION

The Board currently comprises 8 Directors, with 4 executive Directors ("ED"), 1 non-executive Directors and 3 independent non-executive Directors ("INEDs").

The composition of the Board as at 31 December 2019 is set out as follows:

Executive Directors:
Mr. Chan Man Fai Joe
Prof. Pong Kam Keung
Ms. Cheung Wai Shuen
Mr. Liu Hon Wai

Non-executive Directors:
Mr. Yim Kwok Man

Independent non-executive Directors:
Mr. Shiu Siu Tao (resigned on 24 January 2020)
Mr. Lee Chung Ming Eric
Ms. Chan Wah Man Carman

On 24 January 2019, Mr. Shiu Siu Tao resigned as an INED of the Company and Dr. Wong Wai Kong was appointed as an INED on the same day. An updated list of directors identifying their roles and functions is maintained on the website of the Company and Hong Kong Exchanges and Clearing Limited.

The profiles of all Directors are set out on pages 13 to 16 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 has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of INEDs in the Board brings independent professional judgements on issues relating to the Group's strategy, performance to ensure that the interests of all shareholders of the Company have been duly considered.

The Company has complied with Rules 3.10(1) and (2), and Rule 3.10A of the Listing Rules during the year ended 31 December 2019. Pursuant to the requirement of the Listing Rules, the Company has received written confirmation of independent from each of the INED of the Company, and considers all of the INEDs to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules.

During the year ended 31 December 2019, the attendance of each Director at the Board meetings and the general meeting 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
Prof. Pong Kam Keung	4/4
Ms. Cheung Wai Shuen	4/4
Mr. Liu Hon Wai	4/4
Non-executive Directors:	
Mr. Yim Kwok Man	4/4
Independent non-executive Directors:	
Mr. Shiu Siu Tao (resigned on 24 January 2020)	4/4
Mr. Lee Chung Ming Eric	4/4
Ms. Chan Wah Man Carman	4/4

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 arranged whenever necessary.

The Company has received from each of the Directors a record of training they received during the year ended 31 December 2019. A summary of such training is listed as follows:

Name of Director	Type of training
Executive Directors	
Mr. Chan Man Fai Joe	A, B
Prof. Pong Kam Keung	A, B
Ms. Cheung Wai Shuen	A, B
Mr. Liu Hon Wai	A, B
Non-executive Directors	
Mr. Yim Kwok Man	A, B
Independent non-executive Directors	
Mr. Shiu Siu Tao (Resigned on 24 January 2020)	A, B
Mr. Lee Chung Ming Eric	A
Ms. Chan Wah Man Carman	A, B

A: Attending training courses and/or seminars conferences, workshops, forums or conference.

B: Reading journals and materials in relation to regulatory updates, duties and responsibilities of the Directors and the business of the Group.

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 2019, 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 and further updated the Policy in January 2019 to reflect the latest amendments made to the CG Code and Corporate Governance Report as set out in the Appendix 14 of the Listing Rules (effective on 1 January 2019). 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, and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenge that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group. For achieving an optimal Board, additional measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness. 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 Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets and reflecting the Group's strategy.

The nomination committee is responsible for reviewing and monitoring the achievement of the measurable objectives set out in 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. It will review the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects and adhere to the policy when making recommendation on any Board members appointments.

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 INEDs has entered into a service contract for an initial term of 1 to 3 years and is subject to termination by either party giving not less than three months' prior written notice to the other. 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 2019 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 2019 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 the Directors once 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 2019 and up to the date hereof and no incident of non-compliance by the directors was noted by the Company during such period.

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. The terms of reference, which are available on the websites of the Company and the Stock Exchange, has been further updated in early 2019 to align with the latest amendments made to the Corporate Governance Code and Corporate Governance Report as set out in the Appendix 14 of the Listing Rules (effective on 1 January 2019). As at 31 December 2019, 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. Subsequent to the resignation of Mr Shiu Siu Tao with effect from 24 January 2020, the audit committee comprises three INEDs, including, Ms. Chan Wah Man Carman (chairman of the audit committee), Mr. Lee Chung Ming Eric and Dr. Wong Wai Kong.

The functions of the audit committee are, among others, to assist the Board to review the financial reporting, including interim and final results, to review and monitor the external auditors independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to oversight of the Company's risk management, internal control procedures and external audit functions and to make relevant recommendations to the Board to ensure effective and efficient operation and reliable reporting.

The audit committee had reviewed the Group's consolidated financial statements for the year ended 31 December 2019. During the year ended 31 December 2019, one audit committee resolution was passed to approve the adoption of updated terms of reference; and 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 2019 amounted to HK$1,050,000 (2018: HK$990,000), and those in relation to non-audit service amounted to HK$430,000 (2018: HK$430,000).

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. As at 31 December 2019, 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. Subsequent to the resignation of Mr Shiu Siu Tao with effect from 24 January 2020, the remuneration committee comprises of Ms. Chan Wah Man Carman (chairman of the remuneration committee), Dr. Wong Wai Kong and 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 of 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 ended 31 December 2019, one remuneration committee meeting was held for, inter alia, reviewing the remuneration policies and structure for the Directors and senior management of the Group, during which all members were present in the meeting and no Director was involved in deciding his/her own remuneration.

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. In light of the latest amendments made to the Corporate Governance Code and Corporate Governance Report as set out in the Appendix 14 of the Listing Rules (effective on 1 January 2019), the Board has further adopted the revised terms of reference for Nomination Committee, which are available on the websites of the Company and the Stock Exchange. As at 31 December 2019, the nomination committee comprises Mr. Yim Kwok Man (chairman of the nomination committee), Mr. Shiu Siu Tao, Mr. Lee Chung Ming Eric and Mr. Chan Man Fai Joe. Subsequent to the resignation of Mr. Shiu Siu Tao with effect from 24 January 2020, the nomination committee comprises of Mr. Chan Man Fai Joe (chairman of the nomination committee), Dr. Wong Wai Kong and Mr. Lee Chung Ming Eric.

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.

(f) to recommend to the shareholders the terms of the services contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the shareholders as a whole, and to advise shareholder on how to vote; and

(g) reviewing the policy concerning diversity of the Board and the measurable objectives for implementing such policy from time to time adopted by the Board, and to review the progress on achieving these objectives, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report annually.

During the year ended 31 December 2019, one nomination committee resolution was passed to adopt the updated terms of reference of nomination committee; and 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 four members, including Mr. Chan Man Fai Joe (chairman of the executive committee), Prof. Pong Kam Keung, 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 comprises a non-executive Directors, including, Mr. Yim Kwok Man (chairman of the risk control committee), and three executive Directors, Mr. Chan Man Fai Joe, Prof. Pong Kam Keung 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, reports to the executive Directors on regularly basis, and collaborate with the Internal audit. 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 risk management and internal control system of the Group over financial, operational and compliance control with emphasis on construction cost payment procedures, selling of properties, payroll cycle and compliance of corporate governance requirements with the Listing Rules. The review results were reported to the risk control committee and audit committee, which then reviewed and reported the same to the Board.

As disclosed under CWK Project in Property Development section, the Group has entered into a sales and purchase agreement on 31 December 2019 to sell the entire issued share capital and shareholder's loan of the holding company of CWK Project (the "Disposal"). A relevant announcement has been made on the same day. Upon reconsideration of the transactions involving change in control of entities instead of transfer of control of assets to customers, the Group decided to treat such disposal as a very substantial disposal and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange. In order to avoid recurrence of incidents mentioned above and to ensure proper compliance with the Listing Rules in the future, legal and accounting professionals are required to be consulted in relation to all disposals of the shares of the subsidiary(ies) and shareholder's loan(s) under the Group in relation to the treatment to ensure compliance with the relevant requirements under the Listing Rules; training will be provided to the relevant handling staff(s) in relation to the requirements under the Listing Rules, particularly those concerning notifiable transactions; and the Company will seek legal advice from time to time when necessary.

During the year, two risk control committee meetings were held to review the internal control and risk management of the Group, during which all members were present in the meeting. Save as disclosed, 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.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2019, 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 36 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.

DIVIDEND POLICY

In order to enhance transparency of the Company and facilitate the shareholders of the Company and investors to make informed investment decisions relating to the Company, the Board has adopted a dividend policy ("Dividend Policy"). According to the Dividend Policy, when determining whether to declare any dividend in the future and the amount of dividend to be declared, the Company shall consider a number of factors, including but not limited to:

- the Group's actual and expected financial results;
- the shareholders' interests;
- the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company;
- the Company's business operation strategy, including expected working capital requirements, capital expenditure requirements and future expansion plans;
- the Company's liquidity position;
- retained earnings and distributable profit reserves of the Company;
- the contractual restrictions on the payment of dividends imposed by the Company's lenders and other institutions;
- our capital requirements;
- possible effects on our creditworthiness;
- Taxation considerations;
- statutory and regulatory restrictions; and
- any other factors that the Board considers to be applicable from time to time.

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 11/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, 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.

SHAREHOLDERS' RELATIONS

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. Since the Listing date 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 2019, 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 57 to 61 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 discloses information on the Group's ESG management approach, strategy, priorities, objectives, compliance with the relevant laws and regulations and our performance for the year ended 31 December 2019 to increase stakeholders' understanding on the Group.

The Group is principally engaged in property development and property investment for sale, rental or capital appreciation, provision of property management services and provision of finance in Hong Kong. Additionally, the Group has expanded its property development business to South Korea. The ESG Report covers mainly the ESG performance of the business activities in Hong Kong which is the area represent the majority of Group's ESG impacts.

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 believes that effective feedback from stakeholders contributes to ESG performance. The Group has engaged in regular and open communication with its stakeholder groups including employees, investors and shareholders, contractors, customers, government and the wider community. We continue to interact with our stakeholders on ongoing basis in order to understand their views and collect their feedback.

Stakeholders	Engagement Channels
Shareholders and investors	Company website, annual general meeting, interim and annual reports, announcement and circulars;
Employees	Direct engagement and discussion, meeting, performance review and appraisals, trainings, seminars and briefing sessions
Contractors	Meetings or events, procurement manager
Customers	Direct engagement, feedbacks from agents, company website;
The Public	ESG Reports

A. ENVIRONMENTAL

The Group believe that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. We recognize our responsibility of minimizing the pollution and potential nuisance to the neighborhoods of our development projects. The measures we adopted including conducting environmental assessments on our property construction projects and selecting construction contractors who have good environmental protection and safety track records and requiring them to comply with the relevant laws and regulations on the environmental protection and safely.

The Group believes the most effective way to save energy is making it our daily habit. Our Green Office Programme is introduced to encourage our staffs be environmental friendly whenever or wherever we can:—

— Take the most efficient travelling method.

— "Switch-off" all idle electrical appliances and lightings; encouraging employees to switch off (or onto energy-saving mode) computers, monitors and other electrical appliances 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.

— Promote paperless environment by encouraging the use of electronic copy and minimize the use of paper by encouraging double side printing and use of recycled paper.

1. EMISSION — MEASURES TO REDUCE CARBON EMISSION INCLUDE:

The Group outsourced the construction work to independent contractors; the Group's business does not have direct significant greenhouse gas emissions. The major emissions of the Group are 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.

The Group has incorporated energy saving equipment in the office such as installation of sensor in the office area to avoid wasting electricity and adoption of multi-function photocopiers (with printing, scanning and fax functions) that meet energy efficiency specification to reduce energy consumption.

Electricity consumed by the Group's office in its normal business operation is supplied by CLP Power Hong Kong Limited (2018: The HK Electric Co., Ltd.). The electricity consumption by the Group at its office was approximately 83,013kWh (2018: 12,141 kWh), producing $CO2$ equivalent emissions of approximately 66,410 kg $CO2e$ (2018: 9,591 kg $CO2e$) and an energy consumption intensity of approximately 7.38 kWh per square feet (2018: 2.82 kWh per square feet) during the year.

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.

USE OF RESOURCES

We have undertaken various recourse saving measures as mentioned in the guidelines of our Green Office 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 6,670.33 litres (2018: 5,741.17 litres) of petrol was used for the motor vehicle.

2. 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.

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.

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 2019, 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 2019. 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 2019, 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

For Hong Kong projects, the Group outsourced different parts of most construction projects to qualified general construction companies. These construction companies are building contractors registered with the Buildings Department of the Hong Kong Special Administrative Region.

Contractors are selected based on the project size involved, their capability, qualifications such as ISO 14000 certification and relevant experience of their key personnel to be involved in the project. The Group would also take into account the reputation and track records of the contractors in terms of their reliability of quality of work and site safety, their price quotations and technical submissions, level of experience, financial background and their job references provided in the selection process. The Group requires our contractors to comply with the relevant rules and regulations including environmental such as the Noise Control Ordinance Cap.400, labour such as the Factory and Industrial Undertakings Ordinance Cap. 59, social such as the Disability and Discrimination Ordinance Cap. 487, 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, and it ensures all buildings constructed by the Group will obtain Hong Kong BEAM Plus rating.

6. PRODUCT RESPONSIBILITY

The Group places great emphasis on the quality control of the construction of our properties, including the procurement of construction materials, such as the materials for external finishes and 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 specifications and standards and they shall comply with the relevant laws and regulations.

Quality control on our real estate product starts with the selection of qualified building contractors. Most of contractors engaged by us have industry accreditations such as ISO 9001, ISO14001 and/or OHSAS 18001. The Group through either the internal project management department or outsourced consultants regularly inspect and review the qualification and performances of these contractors to ensure they are performing up to our standards and in compliance with the relevant laws and regulations.

Our project development department conducts pre-qualification checks on the construction companies and periodically reviews the suitability to entrust them with our construction works mostly based on our past experience in doing business with them. Further, it is the responsibility of our contractors to procure construction materials, such as 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 goods or materials to ensure they meet our requirements and specifications in accordance with relevant laws, codes of practice 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 us information such as the origin and mill certificates of the material, and the relevant QC production certificates, especially for prefabricated building units, to ensure that the quality complies with our requirement, and all raw materials types, standards, quality must also meet with the satisfaction of our appointed architects and engineering consultants for these building projects.

On site supervision of works is another key in quality control of our building projects. Our consultants' site resident engineers and the architects' clerk of works conduct periodic quality checks on the building materials and workmanship on site to ensure they are strictly in compliance with the relevant codes of practices and standards stipulated in the contract specifications. Our consultants also monitor the on-site progress, conduct regular site safety and environmental checks of our construction sites and they submit regular monthly progress reports to our project development department.

As an environmentally responsible company, the Group ensures that all of building projects are BEAM Plus rated, so that they are environmentally friendly in areas like: (a) material aspects in terms of selection of sustainable material and waste management; (b) site aspects in terms of air pollution, noise pollution and water pollution during construction; (c) energy aspects in terms of reduction of carbon dioxide emission and energy efficiency; (d) water quality aspects in terms of minimum water saving performance; and (e) indoor air quality aspects. Our company appoints our sourced green building consultants to prepare green building plans at the outset of our property development for each project and they supervise and carry out site inspections to ensure the green building practice is properly implemented on site.

As part of our quality control policy, we would also require each of our purchasers to acknowledge and sign on a property handover form, confirming that the purchaser has received and is satisfied with the building unit he/she has bought, together with 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 following up and rectification with no additional costs to the purchasers.

As at the year ended 31 December 2019, the Group was not aware of any incident of non-compliance with relevant laws and regulations that have a significant impact on the issue relating to environmental, health and safety, advertising, labelling and privacy matters relating to building products provided by the Group.

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 2019. During the reporting period, the Group complied with the relevant laws and regulations regarding anti-corruption and money laundering.

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 encouraging employees to participate in community activities. To share the Group's belief in supporting young people in Hong Kong to pursue their passions and dreams as part of our corporate social responsibilities, the Group would continue to seek for opportunities to support the potential startups in Hong Kong.

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in property development, property investment for sale, rental or capital appreciation, provision of property management services and provision of finance in Hong Kong. Details of which are set out in note 6 of the consolidated financial statements in this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Discussion and analysis of the Group's business as required by Schedule 5 of the Hong Kong 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 since 31 December 2018 (if any); and an indication of likely future developments in the Group's business, are included in the Chairman's Statement and Management Discussion and Analysis set out in this annual report on page 4 and pages 5 to 12 respectively. The discussion and analysis form part of this Report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group endeavors to attain long-term sustainable development by addressing social, governance 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 innovative and elegant designs while being compatible and sensitive to our environmental and social responsibilities. The construction-related work 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 green office culture through 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 bonus. 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 realize 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 firm, and consultancy services provider. 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 2019 and the Group's the financial position at that date are set out in this Annual Report on pages 57 to 61. 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 152 in this annual report.

DIVIDENDS

No interim dividends were paid during the year. The board of directors (the "Director(s)") of the Company (the "Board") recommends the payment of final dividend of HK0.2 cents per ordinary share for the year ended 31 December 2019 (2018: HK15.5 cents) which is subject to the shareholders' approval in forthcoming general meeting.

BORROWING FACILITIES

Particulars of the borrowings of the Group as at 31 December 2019 are set out in note 26 of the consolidated financial statements in this annual report.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment, of the Group during the year are set out in note 14 to the consolidated financial statements in this annual report.

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 16 and 20 to the consolidated financial statements in this annual report respectively.

SHARE CAPITAL

Particular of the movements in share capital of the Company are set out in note 27 to the consolidated financial statements in this annual report.

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 66 and in note 38 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to approximately HK$235 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the largest supplier and the top five largest suppliers accounted for approximately 8.9% and 18.0% of our total cost incurred of the Group during the year respectively. Our top five suppliers comprised contractors, architectural firm and consultancy service providers. For the year ended 31 December 2019, the revenue generated from the largest customer and the top five largest customers of the Group represented approximately 14.4% and 57.1% 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 Rainbow.

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
Prof. Pong Kam Keung
Ms. Cheung Wai Shuen
Mr. Liu Hon Wai

Non-executive Directors:
Mr. Yim Kwok Man

Independent non-executive Directors:
Mr. Shiu Siu Tao (Resigned on 24 January 2020)
Dr. Wong Wai Kong (Appointed on 24 January 2020)
Mr. Lee Chung Ming Eric
Ms. Chan Wah Man Carman

The profiles of all Directors are set out on pages 13 to 16 of this annual report. At each annual general meeting one-third of the Directors for the 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 2019, 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 the Company and the Stock Exchange of Hong Kong Limited ("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 were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Shares and underlying Shares as at 31 December 2019

Name of our Directors/ chief executive	Number of ordinary shares directly and beneficially held (Beneficial owner/ through controlled corporation)	Interests in Share Option *(Note 2)*	Total	Approximate percentage of shareholding interests in our Company (%) *(Note 3)*
Executive Directors				
Mr. Chan Man Fai Joe	434,640,800 *(note 1)*	5,476,000	440,116,800	68.61
Ms. Cheung Wai Shuen	300,000	6,099,200	6,399,200	1.00
Mr. Liu Hon Wai		4,899,200	4,899,200	0.76
Mr. Pong Kam Keung		2,136,000	2,136,000	0.33
Non-executive Director				
Mr. Yim Kwon Man		627,200	627,200	0.10
Independent non-executive Directors				
Ms. Chan Wah Man Carman	156,000	471,200	627,200	0.10
Mr. Lee Chung Ming Eric		627,200	627,200	0.10
Mr. Shiu Siu Tao (resigned on 24 January 2020)		627,200	627,200	0.10

Notes:

1. *Star Properties Holdings (BVI) Limited is the registered or beneficial owner of 432,140,800 ordinary 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. 641,498,000 shares) at 31 December 2019.*

Save as disclosed above, as at 31 December 2019, none of our Directors or chief executive of our Company had any 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 (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO); or were required to be recorded in the register of the Company pursuant to Section 352 of the SFO; or were 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 10, 28 and 36 to the consolidated financial statements in this annual report, 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 2019, 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)*		67.36%
	Beneficial owner	2,500,000	5,476,000 *(Note 1)*	1.25%
Star Properties Holdings (BVI) Limited	Beneficial owner *(Note 2)*	432,140,800 *(Note 1)*		67.36%
Mr. Lam Kin Kok	Interest of controlled corporation *(Note 3)*	38,259,200 *(Note 1)*		5.96%
	Beneficial owner	1,120,000		0.17%
Eagle Trend (BVI) Limited	Beneficial owner *(Note 3)*	38,259,200 *(Note 1)*		5.96%

Notes:

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

2. *Star Properties Holdings (BVI) Limited is an investment holding company incorporated on 3 March 2016 in the British Virgin Islands 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 British Virgin Islands 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. 641,498,000 shares) at 31 December 2019.*

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 year ended 31 December 2019. The INEDs have also reviewed such confirmations on the undertakings of the Deed of Non-competition by Mr. Chan Man Fai Joe during the year ended 31 December 2019 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 18 October 2018, the Group announced the granting of a total of 21,193,088 share options to selected employee and directors under the Share Option Scheme. The exercise price of the granted options is HK$0.75 per share. During the year ended 31 December 2019, 1,081,600 share options were forfeited and 14,298,000 share options were exercised. Detailed accounting policies adopted for the share options are described in Note 3 and Note 28 to the consolidated financial statements in this annual report.

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.

During the year ended 31 December 2019, the issued share capital of the Company is HK$6,414,980, divided into 641,498,000 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'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 6 years (expiring on 27 June 2026).

During the year ended 31 December 2017 and 31 December 2018, 26,107,200 share options and 21,193,088 share options with exercise price of HK$0.98 and HK$0.75 respectively per share were granted to certain directors and employees. Subject to the rules of the Share Option Scheme, the Share Options are exercisable in the following manner:

Date of Grant	Total number of Share option granted	Period for the exercise of the relevant Options
25 Jan 2017	26,107,200	25 Jan 2018 — 12 July 2026
18 Oct 2018	21,193,088	18 Oct 2018 — 17 Oct 2028

DETAILS OF THE MOVEMENTS IN THE COMPANY'S SHARE OPTIONS DURING THE YEAR ENDED 31 DECEMBER 2019 ARE SET OUT BELOW:

Name or category	Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Adjusted during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31 December 2019	Approximate percentage of the issued shares of the Company
Executive Directors								
Mr. Chan Man Fai Joe	10,976,000	–	5,500,000	–	–	–	5,476,000	0.85%
Prof. Pong Kam Keung	3,136,000	–	1,000,000	–	–	–	2,136,000	0.33%
Ms. Cheung Wai Shuen	6,899,200	–	800,000	–	–	–	6,099,200	0.95%
Mr. Liu Hon Wai	6,899,200	–	2,000,000	–	–	–	4,899,200	0.76%
Non Executive Director								
Mr. Yim Kwok Man	627,200	–	–	–	–	–	627,200	0.10%
Independent Non Executive Directors								
Mr. Shiu Siu Tao (resigned on 24 Jan 2020)	627,200	–	–	–	–	–	627,200	0.10%
Mr. Chan Wah Man Carman	627,200	–	156,000	–	–	–	471,200	0.07%
Mr. Lee Chung Ming Eric	627,200	–	–	–	–	–	627,200	0.10%
Other Employees								
Other Employees	10,530,688	–	4,842,000	–	–	1,081,600	4,607,088	1.68%

Note:

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

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 during the year ended 31 December 2019.

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 2019, 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 2019, 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 18 to 31 of this Annual Report.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions for the year as disclosed in note 36 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. During the year ended 31 December 2019, the Group has entered into certain transactions which constituted continuing connected transactions (as defined in the Listing Rules) of the Company and details of these transactions are set out below in accordance with the Listing Rules.

Continuing connected transactions subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. EXEMPTED CONTINUING CONNECTED TRANSACTION

TENANCY AGREEMENT IN KOREA

Star Properties Korea Limited (an indirect wholly-owned Subsidiary of the Company), Star Properties Korea PFV and Star Properties Korea PFV2 (both are indirect 95%-owned subsidiaries of the Company) entered into three tenancy agreements separately with Rabbit & Turtle Company Limited on 1 April 2019 (the "Korea Tenancy Agreements"), pursuant to which the Group agreed to rent an office for a term of 3 years with monthly rental rate and monthly add-on services charge allocated to the contractual entities as following:

Contractual Entities	Monthly rental rate	Monthly add-on services charge	Monthly Total
Star Properties Korea Limited	KRW2,970,000	KRW1,524,000	KRW4,494,000
Star Properties Korea PFV	KRW990,000	KRW508,000	KRW1,498,000
Star Properties Korea PFV2	KRW990,000	KRW508,000	KRW1,498,000

The annual caps of the transaction contemplated under the Korea Tenancy Agreements for the years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 are KRW67,409,000, KRW89,878,000, KRW89,878,000 and KRW22,470,000 respectively.

Rabbit & Turtle Company Limited is a company incorporated in South Korea and wholly owned by Ms. Yoo, Young-Ji, the director of Star Properties Korea Limited. The principal activity of Rabbit & Turtle Company Limited is providing consultancy services.

During the year under review, the amount of the Korea Tenancy Agreements amounted to KRW67,409,000 (equivalent to HK$455,000), which did not exceed the annual caps for these transactions.

Given that each of the applicable percentage ratios in respect of the aforesaid transactions were less than 5% and the total consideration is less than HK$3,000,000, the transactions contemplated are fully exempted from the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. EXEMPT CONTINUING CONNECTED 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 2019, pursuant to which the Group agreed to lease a premise for a Director's quarter for a term of 1 year with monthly rental rate of HK$165,000. The annual caps of the transaction contemplated under the Director's quarter lease agreement for the year ended 31 December 2019 is HK$1.98 million.

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 amounted to HK$1,980,000, 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 Vogue City Limited on 1 January 2019, pursuant to which the Group agreed to rent a motor vehicle for a term of 1 year 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 2019 is HK$60,000.

Vogue City 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 City Limited is property holding.

During the year under review, the amount of motor vehicle license agreement amounted to HK$60,000, which did not exceed the annual caps for these transactions.

LICENSE AGREEMENT WITH METROPOLITAN WORKSHOP LIMITED

Star Properties (H.K.) Limited (an indirect wholly-owned Subsidiary of the Company) entered into a license agreement with Metropolitan Workshop Limited on 7 December 2018, pursuant to which the Group agreed to lease a workshop room located in Central as temporary office for staffs to use during renovation period for a term of 2 months with monthly rental rate of HK$50,000. The annual caps of the transaction contemplated under the Star Properties (H.K.) Limited license agreement for the years ended 31 December 2019 is HK$0.1 million.

Crystal Sun Services Limited (an indirect wholly-owned Subsidiary of the Company) entered into a license agreement with Metropolitan Workshop Limited on 7 November 2019, pursuant to which the Group agreed to lease a workshop room as temporary office for a term of 1 year with monthly rental rate of HK$200. The annual caps of the transaction contemplated under the Crystal Sun Services Limited license agreement for the years ended 31 December 2019 is HK$2,400.

Metropolitan Workshop Limited is a company incorporated in Hong Kong and as at 31 December 2019, 90% of the total number of issued shares was ultimately owned 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 24-hour co-working spaces.

During the year under review, the amount of Star Properties (H.K.) Limited license agreement and Crystal Sun Services Limited license agreement amounted to HK$100,000 and HK$2,400 respectively, which did not exceed the annual caps for these transactions.

During the year under review, the aggregated transaction amounts of the aforesaid continuing connected transactions:-

	Annual Cap for the year ended 31 December 2019	Transaction amount for the year ended 31 December 2019
Director's Quarter Lease Agreement	HK$1,980,000	HK$1,980,000
Motor Vehicle License Agreement	HK$60,000	HK$60,000
License Agreement with Metropolitan Workshop Limited	HK$102,400	HK$102,400
Total	HK$2,142,400	HK$2,142,400

Given that each of the applicable percentage ratios in respect of the aforesaid transactions were less than 5% and the total consideration is less than HK$3,000,000, the transactions contemplated are fully exempted from the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. PARTIALLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

TENANCY AGREEMENT WITH METRO YOGA & DANCE LTD

Spring Moon Investments Limited (an indirect wholly owned subsidiary of the Company) entered into an agreement with Metro Yoga & Dance Limited on 11 December 2018, pursuant to which Metro Yoga & Dance Limited as tenant agreed to rent Shop 3, G/F., The Rainbow, 22 Wang Yip Street South, Yuen Long for a term of 3 years with a turnover rent equivalent to 25% of gross receipts and starting from 1 January 2020, the tenant shall pay the base rent HK$215,175 or turnover rent per month, whichever is higher. The annual caps of the transactions contemplated under this tenancy agreement for the years ended 31 December 2019 is HK$6,600,000. The tenancy agreement was terminated on 29 February 2020 under mutual agreement.

Metro Yoga & Dance Limited is a company incorporate in Hong Kong and 65% 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.

Given that one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the largest annual cap during the term of the Tenancy Agreement exceed 5% but all are less than 25% and the largest annual caps is less than HK$10,000,000, the continuing connected transactions contemplated under the Tenancy Agreement are subject to the reporting, announcement and annual review requirements but are exempt from circular (including independent financial advice) and Shareholders' approval requirements under chapter 14A of the Listing Rules.

During the year under review, the rental income for the tenancy agreement amounted to HK$1,324,000, which did not exceed the annual caps of these transactions.

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

The Directors (including all independent non-executive Directors) have reviewed the above continuing 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 continuing 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 above continuing connected transactions 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 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 since the Listing Date and up to 31 December 2019.

EVENTS AFTER REPORTING PERIOD

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISTION OF METROPOLITAN GROUP (BVI) LIMITED

The Company, as purchaser, has entered into an acquisition agreement with Metropolitan Lifestyle (BVI) Limited, as vendor, to acquire entire sale share and sale loan of Metropolitan Group (BVI) Limited, at an aggregate consideration of HK$420,000,000, which will be satisfied by (i) part payment in cash; and (ii) allotment and issue of the convertible bonds (the "Major Acquisition"). As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Major Acquisition are more than 25% but less than 100%, the Major Acquisition constitute a major transaction for the Company and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Further details of the Major Acquisition were disclosed in the announcement of the Company dated 24 January 2020.

VERY SUBSTANTIAL DISPOSAL RELATING TO THE DISPOSAL OF CWK PROJECT

As disclosed under Management Discussion and Analysis Section of this Annual Report, the Company has disposed the CWK Project with completion date on 9 January 2020 (the "Disposal"). Details of the Disposal have been disclosed in the announcement of the Company dated 31 December 2019. As one or more applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. As such, there is failure by the Company to timely comply with the reporting, announcement and shareholders' approval requirements. To the best of the Directors' knowledge, information and belief, such delay in disclosure and other compliance matters under Chapter 14 of the Listing Rules was due to the reconsideration of the transactions involving change in control of entities instead of transfer of control of assets to customers. Nevertheless, the Directors reiterated that they have no intention for such non-compliance and the non-compliance was solely due to the reasons as stated above. Further details of the Disposal will be disclosed in the announcement and circulation of the Company to be published in first half of 2020.

As from 31 December 2019 to the date of this annual report, saved as disclosed in this annual report, the Board is not aware of any significant events that have occurred which require disclosure herein.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants, who retire and, being eligible, 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, 11 March 2020

Deloitte.

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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 62 to 149, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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. At 31 December 2019, the Group had properties held for sales at a carrying amount of HK$3,153,060,000 (2018: HK$2,906,848,000), which included completed properties of HK$468,089,000 (2018: HK$501,512,000) and properties under development of HK$2,684,971,000 (2018: HK$2,405,336,000), as disclosed in note 20 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 cost to completion and 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: • 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 by reference to the latest market data; • Evaluating the appropriateness of the estimated selling price by comparing it with recent sales transactions for similar properties in similar locations; and • Comparing the management's estimation of the estimated costs to completion per budget, on a sample basis, to the actual development cost incurred by the Group of similar completed properties in the past by reference to the progress of the development stage and the latest 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.

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

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.

- 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.

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

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 Chan, Alan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	*5*		
Sales of properties and provision of property management services		**112,473**	668,212
Rental income from leasing of investment properties		**474**	735
Interest income from provision of finance		**7,032**	2,720
Total revenue		**119,979**	671,667
Cost of sales and services		**(50,843)**	(309,459)
Gross profit		**69,136**	362,208
Other income	*7*	**8,315**	33,217
(Loss) gain on change in fair value of investment properties	*16*	**(2,597)**	1,370
(Loss) gain on change in fair value of financial assets at fair value through profit or loss	*19*	**(1,027)**	431
Impairment loss recognised on lease receivables	*21*	**—**	(18,765)
Selling expenses		**(6,970)**	(27,324)
Administrative expenses		**(35,372)**	(65,019)
Finance costs	*8*	**(19,244)**	(44,542)
Profit before tax	*9*	**12,241**	241,576
Income tax expense	*12*	**(6,944)**	(49,749)
Profit for the year		**5,297**	191,827
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1,808)**	(235)
Total comprehensive income for the year		**3,489**	191,592
Profit (loss) for the year attributable to:			
Owners of the Company		**5,724**	191,811
Non-controlling interests		**(427)**	16
		5,297	191,827

	Note	2019 HK$'000	2018 HK$'000
Total comprehensive income (expense) attributable to:			
Owners of the Company		**4,007**	191,588
Non-controlling interests		**(518)**	4
		3,489	191,592
Earnings per share (in HK cents)			
Basic	*13*	**0.9**	30.6
Diluted	*13*	**0.9**	30.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current Assets			
Plant and equipment	*14*	**784**	475
Right-of-use assets	*15*	**1,367**	—
Investment properties	*16*	**52,000**	13,470
Loan receivables	*18*	**164,766**	199,260
Financial assets at fair value through profit or loss	*19*	**6,119**	6,412
		225,036	219,617
Current Assets			
Properties held for sale	*20*	**3,153,060**	2,906,848
Trade and other receivables	*21*	**32,608**	25,959
Contract costs		**—**	301
Financial assets at fair value through profit or loss	*19*	**460**	204
Stakeholder's accounts	*22*	**6,066**	38,877
Pledged bank deposits	*22*	**10,257**	10,115
Bank balances and cash	*22*	**62,276**	121,369
		3,264,727	3,103,673
Current Liabilities			
Trade and other payables	*23*	**104,253**	91,430
Contract liabilities	*24*	**293**	692
Amount due to a director	*25*	**39,000**	—
Tax liabilities		**56,737**	73,813
Borrowings	*26*	**2,580,184**	2,364,437
		2,780,467	2,530,372
Net Current Assets		**484,260**	573,301
Total Assets less Current Liabilities		**709,296**	792,918
Non-current Liability			
Deferred tax liabilities	*17*	**177**	305
Net Assets		**709,119**	792,613

	Note	2019 HK$'000	2018 HK$'000
Capital and Reserves			
Share capital	*27*	**6,415**	6,272
Reserves		**699,742**	784,587
Equity attributable to owners of the Company		**706,157**	790,859
Non-controlling interests		**2,962**	1,754
Total Equity		**709,119**	792,613

The consolidated financial statements on pages 62 to 149 were approved and authorised for issue by the Board of Directors on 11 March 2020 and are signed on its behalf by:

Chan Man Fai Joe	**Cheung Wai Shuen**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to the owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Shareholders' contribution HK$'000 *(Note)*	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	6,272	218,425	12,543	–	190,000	214,726	641,966	–	641,966
Profit for the year	–	–	–	–	–	191,811	191,811	16	191,827
Other comprehensive expense for the year	–	–	–	(223)	–	–	(223)	(12)	(235)
Total comprehensive (expense) income for the year	–	–	–	(223)	–	191,811	191,588	4	191,592
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	1,750	1,750
Lapse of share options	–	–	(3,269)	–	–	3,269	–	–	–
Recognition of equity-settled share-based payment *(note 28)*	–	–	7,481	–	–	–	7,481	–	7,481
Dividends paid *(note 11)*	–	–	–	–	–	(50,176)	(50,176)	–	(50,176)
At 31 December 2018	6,272	218,425	16,755	(223)	190,000	359,630	790,859	1,754	792,613
Profit (loss) for the year	–	–	–	–	–	5,724	5,724	(427)	5,297
Other comprehensive expense for the year	–	–	–	(1,717)	–	–	(1,717)	(91)	(1,808)
Total comprehensive (expense) income for the year	–	–	–	(1,717)	–	5,724	4,007	(518)	3,489
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	1,726	1,726
Exercise of share options *(note 28)*	143	15,032	(4,452)	–	–	–	10,723	–	10,723
Lapse of share options	–	–	(335)	–	–	335	–	–	–
Dividends paid *(note 11)*	–	–	–	–	–	(99,432)	(99,432)	–	(99,432)
At 31 December 2019	6,415	233,457	11,968	(1,940)	190,000	266,257	706,157	2,962	709,119

Note: *On 13 July 2016, Mr. Chan Man Fai Joe and Mr. Lam Kin Kok, being the directors and controlling shareholders of the Company at that time, 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 2019

	Note	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**12,241**	241,576
Adjustments for:			
Depreciation of plant and equipment		**358**	222
Depreciation of right-of-use assets		**455**	—
Equity-settled share-based payment		**—**	7,481
Finance costs		**19,244**	44,542
(Gain) loss on disposal of plant and equipment		**(4)**	635
Loss (gain) on change in fair value of financial assets at fair value through profit or loss		**1,027**	(431)
Loss (gain) on change in fair value of investment properties		**2,597**	(1,370)
Impairment loss recognised on lease receivables		**—**	18,765
Interest income earned on bank balances		**(434)**	(736)
Operating cash flows before movements in working capital		**35,484**	310,684
Decrease (increase) in loan receivables		**30,215**	(166,326)
Increase in trade and other receivables		**(2,370)**	(17,824)
Decrease (increase) in contract costs		**301**	(301)
Increase in properties held for sale		**(171,434)**	(633,644)
Decrease in stakeholder's accounts		**32,811**	7,813
Increase in trade and other payables		**8,453**	38,239
Decrease in contract liabilities		**(399)**	(28,391)
Cash used in operations		**(66,939)**	(489,750)
Income tax paid		**(24,148)**	(241)
NET CASH USED IN OPERATING ACTIVITIES		**(91,087)**	(489,991)
INVESTING ACTIVITIES			
Purchase of plant and equipment		**(680)**	(434)
Proceeds from disposal of plant and equipment		**17**	—
Cash outflow from acquisition of a subsidiary	*29*	**(49,380)**	—
Proceeds from disposal of investment properties		**8,253**	24,600
Purchase of financial assets at fair value through profit or loss		**(1,014)**	(5,565)
Proceeds from refund of financial assets at fair value through profit or loss		**24**	—
Placement of pledged bank deposits		**(142)**	(78)
Interest received from bank		**434**	736
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(42,488)**	19,259

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
Borrowings raised	**675,968**	1,862,719
Repayments of borrowings	**(456,111)**	(1,213,490)
Repayments of lease liabilities	**(1,822)**	—
Advance from a director	**79,000**	30,000
Repayment to a director	**(40,000)**	(30,000)
Capital contribution from non-controlling interests	**1,726**	1,750
Proceeds from issue of shares	**10,723**	—
Interest paid	**(95,200)**	(71,932)
Dividends paid	**(99,432)**	(50,176)
NET CASH FROM FINANCING ACTIVITIES	**74,852**	528,871
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(58,723)**	58,139
Effect of foreign exchange rate changes	**(370)**	(235)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**121,369**	63,465
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	**62,276**	121,369

1. GENERAL

Star Properties Group (Cayman Island) Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate and ultimate holding company is Star Properties Holdings (BVI) Limited, a company incorporated in the British Virgin Islands, and its ultimate controlling party is Mr. Chan Man Fai Joe, 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 11/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in property development, property investment, provision of property management services and provision of finance.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

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

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

HKFRS 16 *Leases*

The Group has applied HKFRS 16 *Leases* ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

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

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

HKFRS 16 *Leases* (Continued)

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts, and elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has elected not to recognise any lease liabilities nor right-of-use assets at 1 January 2019 upon application of HKFRS 16 as the remaining lease terms of its leases amounting to HK$1,980,000 which are disclosed as operating lease commitments as at 31 December 2018 are ended within twelve months from 1 January 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

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

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

HKFRS 16 *Leases* (Continued)

As a lessor (Continued)

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, no adjustment has been made to adjust the refundable rental deposits received and advance lease payments since the amounts involved are insignificant.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The transition to HKFRS 16 has no material impact on retained earnings at 1 January 2019 and no adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 January 2019.

Accounting policies resulting from application of HKFRS 16 are disclosed in note 3.

Amendments to HKFRSs *Annual Improvements to HKFRSs 2015–2017 Cycle*

The annual improvement packages amended the following three standards.

HKAS 12 *Income Taxes*

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

HKAS 23 *Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

HKFRS 3 *Business Combinations*

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

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

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

Amendments to HKFRSs *Annual Improvements to HKFRSs 2015–2017 Cycle* (Continued)

HKFRS 3 *Business Combinations* (Continued)

The directors of the Company anticipate that the application of the above amendments has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NEW AND AMENDMENTS TO HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[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 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

Amendments to HKFRS 3 Definition of a Business

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The directors of the Company anticipate that the application of the above amendments might have material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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 share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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 transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition 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.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

ACQUISITION OF A SUBSIDIARY NOT CONSTITUTING A BUSINESS

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments* ("HKFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

OVER TIME REVENUE RECOGNITION: MEASUREMENT OF PROGRESS TOWARDS COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (such as sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

LEASING

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of a motor vehicle and a director quarter that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets (Continued)

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property or inventory are presented within "investment properties" or "properties held for sale" respectively.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

The Group as a lessee (prior to 1 January 2019)

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.

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.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases 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, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract (upon application of HKFRS 16 in accordance with transitions in note 2)

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits (upon application of HKFRS 16 in accordance with transitions in note 2)

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification (upon application of HKFRS 16 in accordance with transitions in note 2)

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation rate on general borrowings. 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 (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

SHARE-BASED PAYMENT ARRANGEMENTS

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to directors of the Company and employees of the Group who have contributed or will contribute to 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 based on assessment of all relevant non-market vesting conditions. 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 the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultant

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

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 of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PLANT AND EQUIPMENT (Continued)

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.

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 any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

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.

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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

If an investment property becomes a property held for sale because the principal use of the property has been changed as evidenced by the commencement of development with a view to sale, the property will be reclassified to property held for sale at its fair value at the date of transfer. 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 PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND CONTRACT COSTS

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT ON PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND CONTRACT COSTS (Continued)

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTIES HELD FOR SALE

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. The leasehold land and building elements cannot be allocated in proportion to the relative carrying amounts and the entire properties are classified as properties held for sale. Properties under development and properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to completed properties for sale upon completion.

When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables from property management services arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* ("HKFRS 3") applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significant reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) **Amortised cost and interest income**

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) **Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, lease receivables, loan receivables, stakeholder's accounts, pledged bank deposits and bank balances), which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables from property management services and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) **Significant increase in credit risk**

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets (Continued)

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables from property management services, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivables in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status; and
- Nature, size and industry of debtors.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables from property management services, lease receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity instruments

Classification as debt or equity

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 the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a director and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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 above cost.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

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 2019, the carrying amount of the properties held for sale was HK$3,153,060,000 (2018: HK$2,906,848,000).

Fair value of investment properties

As at 31 December 2019, investment properties were carried in the consolidated statement of financial position at aggregate fair value of HK$52,000,000 (2018: HK$13,470,000). 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.

Estimated impairment of loan receivables

Impairment of loan receivables is assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. Assessment are done based on the Group's historical credit loss experience, general economic conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan receivables are disclosed in notes 34 and 18, respectively. As at 31 December 2019, the carrying amount of loan receivables is HK$187,665,000 (2018: HK$217,880,000).

5. REVENUE

(I) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Segments	Property development		Provision of property management services		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales of properties						
Workshop units in a revitalised industrial building	85,477	653,056	—	—	85,477	653,056
Workshop units in a newly rebuilt industrial building	24,343	14,100	—	—	24,343	14,100
Provision of property management services						
Property management services	—	—	2,653	1,056	2,653	1,056
Total	109,820	667,156	2,653	1,056	112,473	668,212
Geographical markets						
Hong Kong	109,820	667,156	2,653	1,056	112,473	668,212
Timing of revenue recognition						
A point in time	109,820	667,156	—	—	109,820	667,156
Over time	—	—	2,653	1,056	2,653	1,056
Total	109,820	667,156	2,653	1,056	112,473	668,212

5. REVENUE (Continued)

(II) PERFORMANCE OBLIGATIONS FOR CONTRACTS WITH CUSTOMERS

a) Property development — sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use.

Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 15% to 20% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on payment scheme, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

b) Provision of property management services

Revenue from provision of property management services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these property management services based on monthly statement issued using output method on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract.

Prior to the third quarter of 2019, the monthly statement which was issued by the Group's management agent includes the management income and management expenditure relating to respective properties, accordingly the Group recognises net management fee that based on the monthly statement upon the management services rendered by the Group's management agent each month.

Starting from third quarter of 2019, the Group has provided management services by itself and acts as the principal for such transactions as it controls the specified services before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the services.

5. REVENUE (Continued)

(III) TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION FOR CONTRACTS WITH CUSTOMERS

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(IV) OPERATING LEASE INCOME FROM LEASING OF INVESTMENT PROPERTIES, AMOUNTING TO HK$474,000 (2018: HK$735,000), ARE UNDER OPERATING LEASES WHICH THE LEASES PAYMENTS ARE FIXED.

6. OPERATING SEGMENTS

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

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

1. Property development — sales of properties

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

3. Provision of property management services — provision of property management services

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

6. OPERATING SEGMENTS (Continued)

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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Property development	**109,820**	667,156	**27,076**	267,201
Property investment	**474**	735	**(1,839)**	843
Provision of property management services	**2,653**	1,056	**1,735**	549
Provision of finance	**7,032**	2,720	**1,935**	1,311
	119,979	671,667	**28,907**	269,904
Unallocated income			**339**	471
Unallocated expenses			**(14,855)**	(26,967)
Finance costs			**(2,150)**	(1,832)
Profit before tax			**12,241**	241,576

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

6. OPERATING SEGMENTS (Continued)

SEGMENT ASSETS AND LIABILITIES

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

	2019 HK$'000	2018 HK$'000
Segment assets		
Property development	**3,226,249**	2,977,764
Property investment	**52,135**	13,864
Provision of property management services	**1,066**	801
Provision of finance	**188,078**	221,462
Total segment assets	**3,467,528**	3,213,891
Unallocated assets	**22,235**	109,399
Consolidated total assets	**3,489,763**	3,323,290
Segment liabilities		
Property development	**2,622,199**	2,345,678
Property investment	**180**	308
Provision of property management services	**281**	247
Provision of finance	**86,698**	132,522
Total segment liabilities	**2,709,358**	2,478,755
Unallocated liabilities	**71,286**	51,922
Consolidated total liabilities	**2,780,644**	2,530,677

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

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss ("FVTPL"), certain pledged bank deposits, bank balances and cash, and other corporate assets not attributable to the reportable segments; and
- all liabilities are allocated to operating segments other than certain borrowings and other corporate liabilities not attributable to the reportable segments.

6. OPERATING SEGMENTS (Continued)

OTHER SEGMENT INFORMATION

For the year ended 31 December 2019

	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	2,082	49,380	–	–	51,462	420	51,882
Depreciation of plant and equipment	–	209	–	10	219	135	354
Depreciation of right-of-use assets	455	–	–	–	455	–	455
Gain on disposal of plant and equipment	–	–	–	–	–	4	4
Interest expense	12,282	–	–	4,812	17,094	2,150	19,244
Loss on change in fair value of investment properties	–	2,597	–	–	2,597	–	2,597
Amounts regularly provided to the CODM but not included in the measure of segment results:							
Interest income earned on bank balances	181	65	–	1	247	187	434

For the year ended 31 December 2018

	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	–	–	–	50	50	384	434
Depreciation	–	–	–	4	4	218	222
Gain on change in fair value of investment properties	–	1,370	–	–	1,370	–	1,370
Interest expense	41,458	–	–	1,252	42,710	1,832	44,542
Impairment loss recognised on lease receivables	–	18,765	–	–	18,765	–	18,765
Loss on disposal of plant and equipment	–	–	–	–	–	635	635
Amounts regularly provided to the CODM but not included in the measure of segment results:							
Interest income earned on bank balances	138	78	74	318	608	128	736

6. OPERATING SEGMENTS (Continued)

GEOGRAPHICAL INFORMATION

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

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

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

	2019 **HK$'000**	2018 HK$'000
Hong Kong	**52,784**	13,945
Korea	**1,367**	—
	54,151	13,945

INFORMATION ABOUT MAJOR CUSTOMERS

For the year ended 31 December 2019, there are seven customers with transactions have exceeded 10% of the Group's revenue from property development. These transactions are all related to sales of properties. For the year ended 31 December 2018, the Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from customers of the current year contributing over 10% of the total sales of the Group are as follows:

	2019 **HK$'000**
Customer A	17,309
Customer B	13,421
Customer C	13,338
Customer D	12,251
Customer E	12,225
Customer F	11,626
Customer G	11,500

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Interest income earned on bank balances	434	736
Forfeiture of deposits from tenants and property purchasers	—	7,247
Temporary rental income from properties held for sale	6,927	23,876
Exchange gains, net	117	845
Others	837	513
	8,315	33,217

The Group recognised temporary rental income from its properties held for sale of HK$6,927,000 (2018: HK$23,876,000) under other income. The income is derived from operating leases that leasing out its properties held for sale on a temporary basis before sale which are fixed or variable lease payments based on turnover of tenants. The Group has delegated a team responsible for assessing, accepting new tenants and monitoring rental payment from those tenants.

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
Borrowings	99,073	72,384
Advance from a director	497	99
Total borrowing costs	99,570	72,483
Less: amount capitalised in cost of qualifying assets	(80,326)	(27,941)
	19,244	44,542

Borrowing costs capitalised at rate ranging from 2.70% to 5.48% (2018: 3.06% to 3.31%) per annum during the year arose on the specific borrowings for the expenditure on each property development.

9. PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**9,218**	31,942
Other staff costs, excluding directors' emoluments:		
Salaries and other allowances	**9,843**	15,641
Retirement benefit scheme contributions	**301**	266
Equity-settled share-based payment	**—**	2,419
Total staff costs	**19,362**	50,268
Less: capitalised in properties held for sale	**(3,624)**	(9,476)
	15,738	40,792
Auditors' remuneration		
— Audit services	**1,050**	990
— Non-audit services	**430**	430
Cost of inventories recognised as an expense	**50,248**	308,958
Depreciation of plant and equipment	**358**	222
Depreciation of right-of-use assets	**455**	—
Direct operating expenses incurred for provision of property management services (included in cost of sales and services)	**595**	483
Property agency commission (included in selling expenses)	**5,963**	24,594
(Gain) loss on disposal of plant and equipment	**(4)**	635
Gross rental income from investment properties	**(474)**	(735)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	**—**	18
	(474)	(717)

10. 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:

	2019 HK$'000	2018 HK$'000
Fees	**480**	560
Salaries, commission and other allowances	**4,776**	3,796
Discretionary bonuses	**3,902**	22,624
Retirement benefit scheme contributions	**60**	49
Sub-total	**9,218**	27,029
Equity-settled share-based payment *(note 28)*	**—**	4,913
Total	**9,218**	31,942

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

	2019					2018						
	Fees HK$'000	Salaries, commission and other allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000	Fees HK$'000	Salaries, commission and other allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Sub-Total HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
A) Executive directors:												
Mr. Chan Man Fai Joe *(chief executive)* *	–	2,100	–	6	2,106	–	1,920	14,000	7	15,927	2,117	18,044
Mr. Liu Hon Wai	–	540	602	18	1,160	–	540	2,178	18	2,736	844	3,580
Ms. Cheung Wai Shuen	–	936	–	18	954	–	936	3,066	18	4,020	844	4,864
Mr. Pong Kam Keung *(Note (a))*	–	1,200	3,300	18	4,518	–	400	3,380	6	3,786	848	4,634
	–	4,776	3,902	60	8,738	–	3,796	22,624	49	26,469	4,653	31,122
B) Non-executive directors:												
Mr. Pong Kam Keung *(Note (a))*	–	–	–	–	–	80	–	–	–	80	–	80
Mr. Yim Kwok Man	120	–	–	–	120	120	–	–	–	120	65	185
	120	–	–	–	120	200	–	–	–	200	65	265

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

DIRECTORS (Continued)

	2019					2018						
	Fees HK$'000	Salaries, commission and other allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000	Fees HK$'000	Salaries, commission and other allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Sub-Total HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
C) Independent non-executive directors:												
Mr. Shiu Siu Tao *(Note (b))*	120	–	–	–	120	120	–	–	–	120	65	185
Mr. Lee Chung Ming Eric	120	–	–	–	120	120	–	–	–	120	65	185
Ms. Chan Wah Man Carman	120	–	–	–	120	120	–	–	–	120	65	185
	360	–	–	–	360	360	–	–	–	360	195	555
Total	480	5,378	3,300	60	9,218	560	3,796	22,624	49	27,029	4,913	31,942

* *The salaries and other allowance of Mr. Chan Man Fai Joe has included the director's quarter expenses of HK$1,980,000 (2018:HK$1,800,000) for the year ended 31 December 2019.*

Notes:

(a) On 1 September 2018, Mr. Pong Kam Keung was re-designated at as an executive director of the Company.

(b) On 24 January 2020, Mr. Shiu Siu Tao was resigned as an independent non-executive director of the Company.

On 24 January 2020, Dr. Wong Wai Kong has been appointed as an independent non-executive director of the Company.

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

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.

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

EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2018: three) are directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2018: two) individuals for the year ended 31 December 2019 are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other allowances	925	2,040
Discretionary bonuses	1,369	4,938
Retirement benefit scheme contributions	17	36
Equity-settled share-based payment	—	706
	2,311	7,720

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:

	2019 No. of employees	2018 No. of employees
HK$1,000,001–HK$1,500,000	2	—
HK$3,500,001–HK$4,000,000	—	1
HK$4,000,001–HK$4,500,000	—	1
	2	2

11. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 Interim — Nil (2018: 2018 interim dividend of HK2.4 cents per share)	—	15,053
2018 Final — HK15.5 cents (2018: 2017 final dividend of HK5.6 cents) per share	99,432	35,123
	99,432	50,176

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK0.2 cents per ordinary share, in aggregate amount of HK$1,283,000, has been proposed by the directors of the Company and is subject to approval by shareholders in the forthcoming general meeting.

12. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Hong Kong Profits Tax:		
— Current tax	**7,072**	49,693
Deferred taxation	**(128)**	56
	6,944	49,749

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The 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:

	2019 HK$'000	2018 HK$'000
Profit before tax	**12,241**	241,576
Tax at Hong Kong Profits Tax Rate of 16.5%	**2,020**	39,860
Tax effect of expenses not deductible for tax purpose	**427**	1,234
Tax effect of other deductible temporary differences not recognised	**2,310**	1,274
Tax effect of income not taxable for tax purpose	**(71)**	(389)
Tax effect of tax losses not recognised	**3,182**	11,467
Utilisation of tax losses previously not recognised	**(345)**	(3,014)
Income tax at concessionary rate	**(165)**	(165)
Others	**(414)**	(518)
Income tax expense for the year	**6,944**	49,749

13. 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:

	2019 HK$'000	2018 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**5,724**	191,811

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**638,501**	627,200
Effect of dilutive potential ordinary shares:		
Outstanding share options issued by the Company *(Note)*	**–**	94
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**638,501**	627,294

Note: The computation of diluted earnings per share during the year ended 31 December 2019 does not assume the exercise of the Company's all share options because the exercise price of those options was higher than the average market price for shares for the year ended 31 December 2019, while the computation of diluted earnings per share during the year ended 31 December 2018 did not assume the exercise of certain 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 2018.

14. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Office equipment and furniture HK$'000	Total HK$'000
COST			
At 1 January 2018	991	133	1,124
Additions	—	434	434
Disposals	(991)	—	(991)
At 31 December 2018	—	567	567
Additions	272	408	680
Disposals	—	(17)	(17)
At 31 December 2019	272	958	1,230
DEPRECIATION			
At 1 January 2018	191	35	226
Provided for the year	165	57	222
Eliminated upon disposals	(356)	—	(356)
At 31 December 2018	—	92	92
Provided for the year	208	150	358
Eliminated upon disposals	—	(4)	(4)
At 31 December 2019	208	238	446
CARRYING VALUES			
At 31 December 2019	64	720	784
At 31 December 2018	—	475	475

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

Leasehold improvements	Over the lease term
Office equipment and furniture	10%–50% per annum

15. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
As at 1 January 2019	
Carrying amount	—
As at 31 December 2019	
Carrying amount	1,367
For the year ended 31 December 2019	
Depreciation charge	455
Expenses related to short-term leases with lease terms end within 12 months of the date of initial application of HKFRS 16	2,142
Total cash outflow for leases	3,964
Addition to right-of-use assets	1,822

During the year ended 31 December 2019, the Group entered into three new lease agreements with a company owned by a director of a subsidiary of the Company for the use of office premises located in South Korea for three years. The lease payment is fixed and total lease payment of the three years was fully paid after commencement of the lease terms during the year. On lease commencement, the Group recognised right-of-use assets and lease liabilities of HK$1,822,000. There is no renewal options, variable lease payments nor restrictions or covenants included in these lease agreements.

The Group regularly entered into short-term leases for director's quarter, office premises and motor vehicle. The Group does not recognise right-of-use assets and lease liabilities in regard of these short-term leases. The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease terms. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term leases expense disclosed in note 36.

16. INVESTMENT PROPERTIES

	Carpark spaces HK$'000	Industrial properties HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2018	36,700	—	36,700
Increase in fair value	1,370	—	1,370
Disposals	(24,600)	—	(24,600)
At 31 December 2018	13,470	—	13,470
Acquired on acquisition of a subsidiary *(note 29)*	—	49,380	49,380
Decrease in fair value	(217)	(2,380)	(2,597)
Disposals	(8,253)	—	(8,253)
At 31 December 2019	5,000	47,000	52,000

The Group leases out carpark spaces and industrial properties under operating leases with rentals payable monthly. The leases of carpark spaces typically run for an initial period of 1 month. The leases of industrial properties typically run for an initial period of 5 years. Majority of the lease contracts contain market review clauses in the event both the lessor and the lessee exercises the option to extend. The leases contain minimum annual lease payments that are fixed over the lease term.

The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

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 2019 and 2018 have been arrived at on the basis of valuations carried out on the respective dates by Prudential Surveyors (Hong Kong) Limited (2018: 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.

16. INVESTMENT PROPERTIES (Continued)

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 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, adjusted to exclude any prepaid or accrued operating lease income.

As at 31 December 2019, the fair values of the completed investment properties, i.e. carpark spaces and industrial properties (2018: car park spaces), were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

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 properties and determined that the presumption to recover the carrying amount of investment properties through sale is not rebutted. As a result, the Group does not recognise deferred tax on changes in fair value of investment properties (if any) as the Group is not subject to any income taxes on disposal of its investment properties.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2019 and 2018 are as follows:

	Level 3	**Fair value as at 31 December 2019**
	HK$'000	**HK$'000**
Carpark spaces located in Hong Kong	**5,000**	**5,000**
Industrial properties located in Hong Kong	**47,000**	**47,000**
	52,000	**52,000**

	Level 3	Fair value as at 31 December 2018
	HK$'000	HK$'000
Carpark spaces located in Hong Kong	13,470	13,470

16. INVESTMENT PROPERTIES (Continued)

The following tables give information about how the fair values of these investment properties as at 31 December 2019 and 2018 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 HK$'000	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Sensitivity
As at 31 December 2019					
Carpark spaces	5,000	Level 3	Direct comparison approach	Unit sale rate from HK$1,325,000 to HK$2,588,000, taking into account of locations.	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Industrial properties	47,000	Level 3	Direct comparison approach	Sale rate from HK$11,170 per square feet to HK$13,434 per square feet, taking into account of location, frontage and size	A significant increase in the sale rate would result in a significant increase in fair value, and vice versa
As at 31 December 2018					
Carpark spaces	13,470	Level 3	Direct comparison approach	Unit sale rate from HK$1,325,000 to HK$2,588,000, taking into account of locations.	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa

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

As at 31 December 2019, the Group's investment properties with fair value of HK$52,000,000 (2018: HK$13,470,000) have been pledged to secure bank borrowings granted to the Group. Details are set out in note 26.

17. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000
As at 1 January 2018	249
Charged to profit or loss	56
As at 31 December 2018	305
Credited to profit or loss	(128)
As at 31 December 2019	177

As at 31 December 2019, the Group has unutilised tax losses of HK$132,339,000 (2018: HK$115,145,000) and other deductible temporary differences of HK$21,720,000 (2018: HK$7,722,000) available for offset against future profits. No deferred tax asset has been recognised for such tax losses and other deductible temporary differences due to the unpredictability of future profit streams in the respective entities. Such tax losses may be carried forward indefinitely.

18. LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Variable-rate loan receivables *(Note)*	**187,665**	217,880
Analysis as:		
— Non-current portion	**164,766**	199,260
— Current portion *(note 21)*	**22,899**	18,620
Total	**187,665**	217,880

Notes:

As at 31 December 2019, the balance included:

(i) loan receivable amounting to HK$186,000 (2018: HK$277,000), which is secured by the property unit of a borrower, interest bearing at Hong Kong prime rate quoted by the lending bank plus 2% per annum. The principal amount started to be repaid in November 2016 in accordance with the repayment schedules;

(ii) loan receivables amounting to HK$7,350,000 (2018: HK$7,350,000), which are secured by the property units of a borrower, interest bearing at Hong Kong prime rate quoted by the lending bank. The principal amounts will be fully repaid at the respective maturity dates;

(iii) loan receivables amounting to HK$170,334,000 (2018: HK$210,253,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong prime rate quoted by the lending bank minus 1.75% per annum. The principal amounts will be fully repaid at the respective maturity dates; and

(iv) loan receivable amounting to HK$9,795,000 (2018: nil), which is secured by the property unit of a borrower and interest bearing at Hong Kong prime rate quoted by the lending bank minus 2% per annum. The principal amount started to be repaid in September 2019 in accordance with the repayment schedules.

18. LOAN RECEIVABLES (Continued)

Loans are provided to borrowers at a range of 60% to 80% (2018: 60% to 80%) of sale consideration of the pledged property units. The directors of the Company consider that the fair values of the collaterals are higher than the carrying amount of loan receivables as at 31 December 2019 and 2018.

As at 31 December 2019 and 2018, all the loan receivables are neither past due nor impaired.

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

	2019 **HK$'000**	2018 HK$'000
Variable-rate loan receivables:		
Within one year	**22,899**	18,620
In more than one year but not more than two years	**41,533**	18,267
In more than two years but not more than five years	**123,233**	180,993
	187,665	217,880

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

	2019	2018
Effective interest rate:		
— Variable-rate loan receivables	**3.5% to 7.125%**	3.5% to 7.125%

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

Details of impairment assessment of loan receivables are set out in note 34.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2019 HK$'000	2018 HK$'000
Equity securities listed in Hong Kong	*(a)*	**460**	204
Unlisted investment fund	*(b)*	**4,600**	4,869
Unlisted participation note	*(c)*	**1,519**	1,543
Total		**6,579**	6,616
Classified as:			
Financial assets at FVTPL:			
— Non-current		**6,119**	6,412
— Current		**460**	204
		6,579	6,616

Notes:

(a) *The fair value measurement of such investments are classified as Level 1 fair value measurement which are based on the quoted price from active markets. For the year ended 31 December 2019, the Group has recognised a fair value loss of HK$758,000 (2018: HK$361,000) in respect of the fair value changes in the profit or loss.*

(b) *In May 2018, the Group subscribed an unlisted private equity fund at cost of HK$5,000,000, representing 10% of the total fund size as at 31 December 2018. The Group has recognised a fair value loss of HK$269,000 (2018: HK$131,000) in respect of the fair value changes in the profit or loss. The fair value of this unlisted fund investment is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.*

(c) *As at 31 December 2019, the unlisted participation note is at a fair value of HK$1,519,000 (2018: HK$1,543,000). No change in fair value has been recognised in the profit or loss (2018: fair value gain of HK$923,000). The decrease of HK$24,000 is due to refund of unused funds during the current year. The fair value of this unlisted participation note is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.*

20. PROPERTIES HELD FOR SALE

	2019 HK$'000	2018 HK$'000
The Group's carrying amounts of properties held for sale, stated at cost, comprise:		
— Properties under development	**2,684,971**	2,405,336
— Completed properties	**468,089**	501,512
	3,153,060	2,906,848
Properties to be realised after one year	**2,104,259**	2,389,490

The properties under development are situated in Hong Kong and Korea.

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 2019, properties held for sale with aggregated amount of HK$3,150,880,000 (2018: HK$2,904,647,000) have been pledged to secure bank borrowings granted to the Group set out in note 26.

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.

The leasehold land and building elements cannot be allocated in proportion to the relative carrying amounts and the entire properties are classified as properties held for sale.

21. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables from property management services	984	259
Lease receivables	1,560	18,987
	2,544	19,246
Less: Allowance for credit losses *(Note)*	—	(18,765)
	2,544	481
Deposits and other receivables, and prepayments		
— Loan receivables *(note 18)*	22,899	18,620
— Loan interest receivables	300	358
— Rental deposits and other receivables	5,441	5,015
— Prepayments	1,424	1,485
	30,064	25,478
	32,608	25,959

Note: As at 31 December 2018, the allowance for credit losses is related to an individually impaired lease receivable of a single customer amounting to HK$18,765,000 that default its payment. The management considers that such lease receivable is not recoverable since the customer is in severe financial difficulties. As a consequence, allowance for credit losses of HK$18,765,000 has been recognised in respect of such lease receivable during the year ended 31 December 2018. Such allowance is written off during the current year.

21. TRADE AND OTHER RECEIVABLES (Continued)

As at 1 January 2018, trade receivables from contracts with customer amounted to HK$5,200,000.

No credit term is allowed for trade receivables from property management services and lease receivables.

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

	2019 **HK$'000**	2018 HK$'000
0–30 days	**1,374**	481
31–90 days	**501**	—
91–180 days	**318**	—
181–365 days	**92**	—
Over 365 days	**259**	—
	2,544	481

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

Details of impairment assessment of trade receivables from property management services, lease receivables, loan interest receivables and rental deposits and other receivables are set out in note 34.

22. 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 or retention payments for construction projects. The amounts are interest bearing at prevailing market interest rate of 0.001% to 1.65% per annum (2018: 0.001% to 1.1% per annum).

Pledged bank deposits represent bank deposits pledged to a bank for securing banking facilities grant to the Group set out in note 26.

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:

	2019	2018
Range of interest rate per annum:		
Bank balances	**0.001%–0.01%**	0.001%–0.01%

Details of impairment assessment of stakeholder's accounts, pledged bank deposits and bank balances are set out in note 34.

23. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Retention payables *(Note)*	**17,721**	14,785
Other payables, deposits received and accruals		
— Rental deposits received	**8,379**	8,650
— Accrued construction costs	**53,157**	52,136
— Accrued bonus	**4,096**	—
— Accrued agency commission	**1,435**	1,346
— Accrued management fees	**2,002**	5,689
— Accrued legal and professional fees	**8,515**	4,236
— Interest payables	**6,659**	2,289
— Others	**2,289**	2,299
	104,253	91,430

Note: As at 31 December 2019, retention payables amounting to HK$7,366,000 (2018: HK$12,344,000) is aged within one year while the remaining amount of HK$10,355,000 (2018: HK$2,441,000) is aged one to two years. All retention payables as at 31 December 2019 and 2018 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

24. CONTRACT LIABILITIES

As at 1 January 2018, contract liabilities amounted to HK$29,083,000.

During the year ended 31 December 2019, the Group has recognised revenue of HK$692,000 (2018: HK$29,083,000) that was included in the contract liabilities balance at the beginning of the year.

	2019 HK$'000	2018 HK$'000
Sales of properties *(Note)*	**293**	692

Note: The Group receives 15% to 20% of the contract value as deposits from customers when they sign the sale and purchase agreement for sale of properties. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

25. AMOUNT DUE TO A DIRECTOR

The balance is a short-term loan from a director, and is unsecured, interest bearing at 4.5% per annum and repayable on demand.

26. BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank borrowings	**2,580,184**	2,364,437
Scheduled payment terms of borrowings contain a repayment on demand clause (shown under current liabilities):		
— Within one year	**2,146,561**	1,123,291
— In more than one year but not more than two years	**75,550**	802,484
— In more than two years but not more than five years	**307,638**	438,662
— More than five years	**50,435**	—
Total	**2,580,184**	2,364,437

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

	2019 HK$'000	2018 HK$'000
Variable-rate borrowings:		
Within one year	**2,032,278**	1,025,186
In more than one year but not more than two years	**75,550**	802,484
In more than two years but not more than five years	**307,638**	438,662
More than five years	**50,435**	—
	2,465,901	2,266,332
Fixed-rate borrowings:		
Within one year	**114,283**	98,105
	2,580,184	2,364,437

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

26. BORROWINGS (Continued)

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

	2019	2018
Effective interest rates:		
— Fixed-rate borrowings	3.5%	3.5%
— Variable-rate borrowings	2.25%–4.6%	2.3%–4.15%

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

	2019 HK$'000	2018 HK$'000
Properties held for sale		
— Under development for sale, at cost	2,684,971	2,405,336
— Completed, at cost	465,909	499,311
	3,150,880	2,904,647
Investment properties		
— Carpark spaces, at fair value	5,000	13,470
— Industrial properties, at fair value	47,000	—
	52,000	13,470
Pledged bank deposits	10,257	10,115
Total	3,213,137	2,928,232

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

As at 31 December 2019 and 2018, none of the bank covenants relating to drawn down facilities had been breached. The directors of the Company consider there is no material impact in regard of the outbreak of a novel coronavirus subsequent to the end of the reporting period to the Group's bank borrowings.

27. SHARE CAPITAL

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

		Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2018, 31 December 2018 and 31 December 2019		1,000,000,000	10,000
Issued and fully paid:			
At 1 January 2018 and 31 December 2018		627,200,000	6,272
Exercise of share options	*(note 28)*	14,298,000	143
At 31 December 2019		641,498,000	6,415

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

28. 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 (the "Participants") with the opportunity to acquire proprietary interests in the Company and to encourage the Participants to work towards enhancing the value of the Company and its shares for the benefit the Company with a flexible means of either 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 the 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 (which 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.

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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 the 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 ended 31 December 2018, 21,193,088 share options with exercise price of HK$0.75 per share were granted to certain directors and employees on 18 October 2018. These share options are immediately vested and are exercisable from 18 October 2018 to 17 October 2028.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercisable period	Exercise price
Directors	18 October 2018	Nil	18 October 2018 to 17 October 2028	HK$0.75
Employees	18 October 2018	Nil	18 October 2018 to 17 October 2028	HK$0.75

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:

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Number of share options			
Option type	**Outstanding at 1 January**	**Exercised during the year**	**Lapsed during the year** *(Note)*	**Outstanding at 31 December**
Directors	**30,419,200**	**(9,456,000)**	**—**	**20,963,200**
Employees	**10,530,688**	**(4,842,000)**	**(1,081,600)**	**4,607,088**
	40,949,888	**(14,298,000)**	**(1,081,600)**	**25,570,288**

Note: During the year ended 31 December 2019, 1,081,600 share options for certain full-time employees are lapsed after their vesting dates upon their resignations.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$0.93.

FOR THE YEAR ENDED 31 DECEMBER 2018

	Number of share options			
Option type	Outstanding at 1 January	Granted during the year	Lapsed during the year *(Note)*	Outstanding at 31 December
Directors	16,464,000	13,955,200	—	30,419,200
Employees	4,939,200	7,237,888	(1,646,400)	10,530,688
Other	4,704,000	—	(4,704,000)	—
	26,107,200	21,193,088	(6,350,400)	40,949,888

Note: During the year ended 31 December 2018, 4,704,000 share options for a consultant and 1,646,000 share options for certain full-time employees were lapsed after their vesting date upon their resignations.

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The number and weighted average exercise prices of share options are as follows:

	2019		2018	
	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$	Number of share options
Outstanding at 1 January	0.86	40,949,888	0.98	26,107,200
Granted during the year	—	—	0.75	21,193,088
Exercised during the year	0.75	(14,298,000)	—	—
Lapsed during the year	0.75	(1,081,600)	0.98	(6,350,400)
Outstanding at 31 December	0.93	25,570,288	0.86	40,949,888
Exercisable at 31 December	0.93	25,570,288	0.86	40,949,888

For the year ended 31 December 2018, the estimated fair values of the options granted to directors and employees determined at the date of grant using the trinomial model are HK$0.31 and HK$0.30 respectively.

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

	Option grant date 18 October 2018
Grant date share price	HK$0.746
Exercise price	HK$0.750
Option life (years)	10 years
Expected volatility	44.261%
Dividend yield	4.500%
Risk-free interest rate	2.420%
Exercise multiples	2.860–3.342

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.

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Expected volatility was determined by using the average historical volatility of share price of comparable companies over the previous 10 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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.

Total fair value of the share options granted on 18 October 2018 amounted to HK$6,598,000.

Share-based payment of HK$7,481,000 (in which HK$149,000 is in relation to share options granted to its consultants) was recognised during the year ended 31 December 2018 in relation to share options granted by the Company. No share-based payment expense is recognised during the current year.

For share options outstanding at the end of the reporting period, the range of exercise prices is HK$0.75 to HK$0.98 (2018: HK$0.75 to HK$0.98) and weighted average remaining contractual life is 7 years (2018: 8 years).

29. ACQUISITION OF A SUBSIDIARY

FOR THE YEAR ENDED 31 DECEMBER 2019

Acquisition of Palico Development Limited

On 3 May 2019, the Group entered into a sale and purchase agreement with two independent third parties that the Group agreed to acquire the equity interest and shareholders' loan of Palico Development Limited for a total cash consideration of HK$49,380,000. The principal amount of the shareholder's loan acquired was HK$10,993,000 and the amount attributable to equity interest acquired was HK$38,837,000. Palico Development Limited owned industrial properties located at Watson Road, Hong Kong. The Group acquired the industrial properties through acquisition of the entire equity interest in Palico Development Limited. Such industrial properties were acquired for investment purposes. The transaction was completed on 31 October 2019. The acquisition is considered as an acquisition of an asset since the acquiree does not meet the definition of a business under HKFRS 3.

Fair value of assets and liabilities acquired at the date of acquisition was as follows:

	HK$'000
Industrial properties classified as investment properties	49,380
Shareholder's loan	(10,993)
Add: assignment of shareholders' loan	10,993
Total consideration	49,380

29. ACQUISITION OF A SUBSIDIARY (Continued)

Acquisition of Palico Development Limited (Continued)

Cash outflow on acquisition of a subsidiary during the year ended 31 December 2019 was as follows:

	HK$'000
Total consideration in cash and cash outflow on acquisition of a subsidiary	49,380

30. OPERATING LEASE

THE GROUP AS LESSEE

	2018 HK$'000
Minimum lease payments paid under operating leases during the year	
— A residential unit*	1,800
— Office units	1,716
— Motor vehicles	60
	3,576

* *Amounts included in "Salaries and other allowances" under directors' emoluments in note 10.*

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:

	2018 HK$'000
Within one year	
— A residential unit from a related company	1,920
— A motor vehicle from a related company	60
Total	1,980

The leases are generally negotiated for a lease term of two years of fixed rentals.

30. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSOR

Property rental income earned from investment properties and properties held for sale were aggregated to HK$7,401,000 (2018: HK$24,611,000). The properties are expected to generate rental yields of 1% (2018: 1%) on an ongoing basis. Properties held have committed tenants for the next one to five years.

Undiscounted lease payments receivable on leases are as follows:

	2019 **HK$'000**
Within one year	**10,304**
In the second year	**9,373**
In the third year	**3,784**
In the fourth year	**2,700**
In the fifth year	**521**
	26,682

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

	2018 HK$'000
Within one year	759
In the second to fifth year inclusive	595
	1,354

31. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Capital expenditure in respect of the properties development project contracted for but not provided in the consolidated financial statements	**99,013**	213,565

32. 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$'000	Amount due to a director HK$'000	Interest payables HK$'000	Dividend payables HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2018	1,715,208	–	1,738	–	–	1,716,946
Cash inflow (outflow):						
Borrowings raised	1,862,719	–	–	–	–	1,862,719
Repayment of borrowings	(1,213,490)	–	–	–	–	(1,213,490)
Advance from a director	–	30,000	–	–	–	30,000
Repayment to a director	–	(30,000)	–	–	–	(30,000)
Interest paid	–	–	(71,932)	–	–	(71,932)
Dividends paid	–	–	–	(50,176)	–	(50,176)
Non-cash transactions:						
Dividends	–	–	–	50,176	–	50,176
Interest expense	–	–	72,483	–	–	72,483
At 31 December 2018	2,364,437	–	2,289	–	–	2,366,726
Cash inflow (outflow):						
Borrowings raised	675,968	–	–	–	–	675,968
Repayment of borrowings	(456,111)	–	–	–	–	(456,111)
Advance from a director	–	79,000	–	–	–	79,000
Repayment to a director	–	(40,000)	–	–	–	(40,000)
Repayment of lease liabilities	–	–	–	–	(1,822)	(1,822)
Interest paid	–	–	(95,200)	–	–	(95,200)
Dividends paid	–	–	–	(99,432)	–	(99,432)
Non-cash transactions:						
Recognition of lease liabilities	–	–	–	–	1,822	1,822
Dividends declared	–	–	–	99,432	–	99,432
Interest expense	–	–	99,570	–	–	99,570
Exchange realignment	(4,110)	–	–	–	–	(4,110)
At 31 December 2019	2,580,184	39,000	6,659	–	–	2,625,843

33. 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.

34. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2019	2018
	HK$'000	HK$'000
Financial assets		
Financial assets at FVTPL	**6,579**	6,616
Financial assets at amortised cost	**274,549**	394,095
	281,128	400,711
Financial liabilities		
Amortised cost	**2,651,943**	2,390,161

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at FVTPL, loan receivables, trade and other receivables, stakeholder's accounts, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a director 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.

34. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 26 for details of such borrowing). Besides, loan receivables, pledged bank deposits, 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 HIBOR arising from the Group's Hong Kong dollars denominated variable-rate borrowings and Hong Kong prime rate arising from the Group's Hong Kong dollars denominated variable-rate loan receivables.

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. 50 (2018: 50) basis points increase or decrease representing the assessment of the management of the Group on the reasonably possible change in interest rates.

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 2019 would be increased/decreased by HK$5,306,000 (2018: HK$3,318,000) 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 2019 would be decreased/increased by HK$5,081,000 (2018: HK$5,782,000). 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 stakeholder's accounts, pledged bank deposits and bank balances are immaterial.

34. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Currency risk

The directors of the Company consider foreign currency exposure is mainly on its intra-group balances denominated at currency other than the functional currency of its foreign operation in Korea. No sensitivity analysis is presented since the directors consider the exposure is not material.

Price risk

The Group is exposed to price risk through its investments in listed equity securities, unlisted fund and unlisted participation note. In addition, the Group has appointed the management to monitor the 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 those investments had been 10% higher/lower, post-tax profit would increase/decrease by HK$658,000 (2018: HK$662,000) for the Group as a result of the changes in fair value of the financial assets.

Credit risk and impairment provision

As at 31 December 2019 and 2018, 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. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except that the credit risks associated with loan receivables is mitigated because they are secured over properties. There is no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during both reporting periods.

Trade receivables from property management services and lease receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances from property management services and lease receivables individually or based on provision matrix.

34. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

Loan receivables, loan interest receivables, other receivables, stakeholder's accounts, pledged bank deposits and bank balances

The Group performs impairment assessment under ECL model upon application of HKFRS 9 on loan receivables, loan interest receivables, other receivables, stakeholder's accounts, pledged bank deposits and bank balances based on 12m ECL.

The credit risk on loan receivables and loan interest receivables are limited because all loan receivables are pledged with the property units of the borrowers. Loss given default is minimal as fair values of collaterals are larger than the carrying amounts of the loan receivables.

The credit risk on other receivables is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date.

The credit risk on stakeholder's accounts is limited because the counterparties are independent intermediaries who are governed and monitored by the relevant regulatory body.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Based on the Group's internal credit rating, no impairment loss allowance is recognised for loan receivables, loan interest receivables, other receivables, stakeholder's accounts, pledged bank deposits and bank balances as the amount of ECL on these balances is immaterial.

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

The Group's concentration of credit risk by geographical locations is in Hong Kong as all trade receivables from property management services, lease receivables and loan receivables are arisen in Hong Kong for both years.

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

34. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

The tables below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables/ lease receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

34. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2019 HK'000	2018 HK'000
Financial assets at amortised cost						
Trade receivables from property management services	*21*	N/A	*(Note)*	Lifetime ECL (provision matrix)	**984**	259
Lease receivables	*21*	N/A	*(Note)*	Lifetime ECL (provision matrix)	**1,560**	222
		N/A	Loss	Credit-impaired	**—**	18,765
Loan receivables	*18*	N/A	Low risk	12m ECL	**187,665**	217,880
Loan interest receivables	*21*	N/A	Low risk	12m ECL	**300**	358
Rental deposits and other receivables	*21*	N/A	Low risk	12m ECL	**5,441**	5,015
Stakeholder's accounts	*22*	N/A	Low risk	12m ECL	**6,066**	38,877
Pledged bank deposits	*22*	AA+	N/A	12m ECL	**10,257**	10,115
Bank balances	*22*	AA+	N/A	12m ECL	**62,276**	121,369

Note: For trade receivables from property management services and lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by past due status, nature, size and industry of debtors.

34. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

Loan receivables, loan interest receivables, other receivables, stakeholder's accounts, pledged bank deposits and bank balances (Continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its property investment operation, property management services and temporary rental income from properties held for sales because these customers consist of a number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Trade receivables from property management services of HK$984,000 (2018: HK$259,000) and lease receivables of HK$1,560,000 (2018: HK$222,000) are assessed based on provision matrix within lifetime ECL (not credit-impaired). The default rate is estimated to be insignificant. Debtor credit-impaired with gross carrying amount of HK$18,765,000 as at 31 December 2018 were assessed individually.

During the year ended 31 December 2019, no impairment allowance on trade receivables from property management services and lease receivables is provided based on the provision matrix as the amount of ECL on these balances is immaterial. Impairment allowance of HK$18,765,000 was made on credit-impaired debtor for lease receivables during the year ended 31 December 2018.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

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 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.

34. 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 HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2019				
Retention payables	—	17,721	17,721	17,721
Rental deposits received	—	8,379	8,379	8,379
Amount due to a director	4.5	39,000	39,000	39,000
Interest payables	—	6,659	6,659	6,659
Borrowings				
— variable rate	3.58	2,465,901	2,465,901	2,465,901
— fixed rate	3.5	114,283	114,283	114,283
		2,651,943	2,651,943	2,651,943

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2018				
Retention payables	—	14,785	14,785	14,785
Rental deposits received	—	8,650	8,650	8,650
Interest payables	—	2,289	2,289	2,289
Borrowings				
— variable rate	3.26	2,266,332	2,266,332	2,266,332
— fixed rate	3.5	98,105	98,105	98,105
		2,390,161	2,390,161	2,390,161

34. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (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 2019, the aggregate carrying amounts of these borrowings amounted to HK$2,580,184,000 (2018: HK$2,364,437,000). 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 %	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	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2019								
Borrowings								
– variable rate	3.58	810,302	1,273,512	91,934	329,049	72,500	2,577,297	2,465,901
– fixed rate	3.5	1,008	115,641	–	–	–	116,649	114,283
		811,310	1,389,153	91,934	329,049	72,500	2,693,946	2,580,184

	Weighted average effective interest rate %	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	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2018								
Borrowings								
– variable rate	3.26	55,044	1,048,676	865,839	480,933	–	2,450,492	2,266,332
– fixed rate	3.5	865	100,673	–	–	–	101,538	98,105
		55,909	1,149,349	865,839	480,933	–	2,552,030	2,364,437

34. FINANCIAL INSTRUMENTS (Continued)

C. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. Details of recurring fair value measurement of such assets are set out in note 19. During the year, there were no transfers between Level 1 and Level 2, nor transfers into and out of 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.

35. RETIREMENT BENEFIT PLANS

The Group operates 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$343,000 (2018: HK$315,000) 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 2019.

36. RELATED PARTY DISCLOSURES

(I) TRANSACTIONS

Save as disclosed in note 15, the Group had the following transactions with related parties during the year:

Name of related parties	Nature of transaction	2019 HK$'000	2018 HK$'000
Sunny Generation Limited ("Sunny Generation")	Rental expenses *(Note (a))*	—	106
Mr. Chan Man Fai Joe (director)	Finance costs *(Note (b))*	**497**	99
Mr. Liu Hon Wai (director)	Sales commission *(Note (c))*	**602**	1,338
Vogue City Limited ("Vogue City")	Expenses related to short-term leases for motor vehicle *(Note (d))*	**60**	—
	Rental expenses *(Note (d))*	—	60
Vogue Town Limited ("Vogue Town")	Expenses related to short-term leases for director's quarter *(Note (e))*	**1,980**	—
	Rental expenses *(Note (e))*	—	1,800
Metropolitan Fine Wine Limited ("Metropolitan Wine")	Entertainment expenses *(Note (f))*	**82**	93
	Service income *(Note (j))*	**(4)**	—
Metropolitan Lifestyle (H.K.) Limited ("Metropolitan Lifestyle")	Consultancy service income *(Note (g))*	—	(200)
Metropolitan Kitchen Limited ("Metropolitan Kitchen")	Entertainment expenses *(Note (f))*	**9**	32
Metropolitan Workshop Limited ("Metropolitan Workshop")	Expenses related to short-term leases *(Note (a))*	**102**	—
	Rental expenses *(Note (a))*	—	596
	Service income *(Note (j))*	**(32)**	—
Metropolitan Production Limited ("Metropolitan Production")	Marketing expenses *(Note (h))*	**896**	2,996
Metropolitan Storage Limited ("Metropolitan Storage")	Service income *(Note (j))*	**(4)**	—
Metro Yoga & Dance Limited ("Metro Yoga")	Rental income *(Note (i))*	**(1,324)**	(124)
M&M Kitchen Limited ("M&M Kitchen")	Entertainment expenses *(Note (f))*	**25**	—
Lala Eat Company Limited ("Lala Eat")	Entertainment expenses *(Note (f))*	**3**	3

36. RELATED PARTY DISCLOSURES (Continued)

(I) TRANSACTIONS (Continued)

Notes:

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

(b) *The loan from a director carried interest at 4.5% (2018: 3.5%) per annum. The loan amounting to HK$79,000,000 (2018: HK$30,000,000) was received and HK$40,000,000 (2018: HK$30,000,000) repaid to the director during the year.*

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

(d) *Expenses related to short-term leases (2018: rental expenses) for a motor vehicle represented the leasing of motor vehicles from Vogue City at a price agreed by both parties.*

(e) *Expenses related to short-term leases (2018: rental expenses) for director's quarter represented the leasing of a director's quarters for Mr. Chan Man Fai Joe from Vogue Town at a price agreed by both parties.*

(f) *Entertainment expenses represented providing of wines and catering services from Metropolitan Wine, Metropolitan Kitchen, M&M Kitchen and Lala Eat at a price agreed by both parties.*

(g) *Consultancy service income is received from Metropolitan Lifestyle at a price agreed by both parties.*

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

(i) *Rental income is received from Metro Yoga at a price agreed by both parties.*

(j) *Service income is received from Metropolitan Wine, Metropolitan Workshop and Metropolitan Storage at prices 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 2019 and 2018 are set out in note 10.

37. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Details of the Company's major subsidiaries as at 31 December 2019 and 31 December 2018 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		Directly held/ indirectly held by the Company	Principal activities
			2019	2018	2019	2018		
Star Properties Group (BVI) Limited	BVI	Ordinary share US$100	100%	100%	100%	100%	Directly	Investment holding
Bright Port Holdings Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Fountain Inc Limited	Hong Kong	Ordinary shares HK$10,000	100%	100%	100%	100%	Indirectly	Property investment
Spring Moon Investments Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development and property investment
Rainbow Red Holdings Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Diamond Vantage Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property investment
Star Property Management (HK) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Investment holding and provision of property management services
Star Finance (H.K.) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Provision of finance
Sincere Gold Properties Limited	Hong Kong	Ordinary shares HK$200,000	100%	100%	100%	100%	Indirectly	Property development
Diamond Ocean Investments Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Noble Energy Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Autumn Creek (H.K.) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Star Construction (H.K.) Limited (formerly known as Ritzy Soar (H.K.) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Star Properties Korea	South Korea	Ordinary shares Korean won 5 billion	95%	95%	95%	95%	Indirectly	Property development
Star Properties Korea	South Korea	Ordinary shares Korean won 5 billion	95%	–	95%	–	Indirectly	Property development
Palico Development Limited	Hong Kong	Ordinary shares $10	100%	–	100%	–	Indirectly	Property investment

37. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY (Continued)

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.

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

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current Assets		
Investments in subsidiaries	**170,362**	120,359
Amounts due from subsidiaries *(Note (1) & (3))*	**1,240,689**	1,152,672
	1,411,051	1,273,031
Current Assets		
Other receivables *(Note (3))*	**272**	227
Amounts due from subsidiaries *(Note (2) & (3))*	**339,741**	348,447
Bank balances and cash *(Note (3))*	**2,146**	67,802
	342,159	416,476
Current Liabilities		
Other payables	**1,688**	1,199
Amounts due to subsidiaries	**134,325**	222,203
Amount due to a director	**39,000**	—
Borrowings	**901,000**	737,000
	1,076,013	960,402
Net Current Liabilities	**(733,854)**	(543,926)
Net Assets	**677,197**	729,105
Capital and Reserves		
Share capital	**6,415**	6,272
Reserves	**670,782**	722,833
Total Equity	**677,197**	729,105

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

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 repaid 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 3.58% (2018: 3.39%) per annum, representing the borrowing rates of the relevant subsidiaries, with corresponding adjustments of HK$50,003,000 (2018: HK$72,297,000) 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 amounts will be repaid within twelve months from the end of the reporting period, accordingly, these amounts are classified as current assets.*

(3) *ECL for amounts due from subsidiaries, other receivables and bank balances are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. No material impairment allowance is made based on the Company's internal and/or external credit rating.*

(4) *The application of HKFRS 16 in the current year has had no material impact on the Company's financial positions and performance for the current and prior years.*

MOVEMENT IN THE COMPANY'S RESERVES

	Share premium HK$'000	Share options reserve HK$'000	Shareholders' contribution HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2018	218,425	12,543	190,000	54,158	475,126
Profit and total comprehensive income for the year	—	—	—	290,402	290,402
Lapse of share options	—	(3,269)	—	3,269	—
Recognition of equity-settled share-based payment *(note 28)*	—	7,481	—	—	7,481
Dividends paid *(note 11)*	—	—	—	(50,176)	(50,176)
At 31 December 2018	218,425	16,755	190,000	297,653	722,833
Profit and total comprehensive income for the year	—	—	—	36,801	36,801
Exercise of share options *(note 28)*	15,032	(4,452)	—	—	10,580
Lapse of share options	—	(335)	—	335	—
Dividends paid *(note 11)*	—	—	—	(99,432)	(99,432)
At 31 December 2019	233,457	11,968	190,000	235,357	670,782

39. EVENTS AFTER THE REPORTING PERIOD

On 31 December 2019, Inventive Rainbow Limited, an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party to dispose of entire equity interest and a shareholder's loan of Rainbow Red Holdings Limited, a property development company, for a consideration of HK$980,000,000. An initial deposit of HK$98,000,000 was received after the end of reporting period. The transaction was completed on 9 January 2020. A gain before tax of HK$384,000,000 is expected to be recognised upon completion.

On 24 January 2020, the Group made an announcement in related to an acquisition of Metropolitan Group (BVI) Limited and its subsidiaries which is principally engaged in serviced apartment business, wine cellar and fine wine business, storage and workshop and production and other investment holding service, from a controlling shareholder of the Company, for a consideration of HK$420,000,000. Initial deposits of HK$42,000,000 were paid to the vendor subsequently and the remaining consideration of HK$378,000,000 will be settled through issuing a convertible bond to the vendor upon completion. The transaction has not yet been completed up to date of the report.

Subsequent to the report period end, a novel coronavirus (COVID-19) has broken out and posed challenges across various industries as well as people's livelihoods. The Group has taken immediate action to minimise the impact of the coronavirus outbreak to its business operation. The Group adopted several precautionary measures to protect its workplace from outbreak by providing clear and timely guidelines to all staffs; daily following up on all staff's health status, travel history and potentially infectious contacts; providing extra sanitisation products and air purifier machine. Besides, the Group has been also closely communicating with the business partners to follow-up different schedules and planning. The outbreak of coronavirus has slowed down most of the economic activities which may indirectly bring impact to the property market in Hong Kong and South Korea.

Nevertheless, the outbreak of COVID-19 in People's Republic of China ("PRC") and its spreading is further dampening the weakened retail market and economy of Hong Kong, so does the Hong Kong property market, in particular the retail sector. The gloom and mourning in food and beverage as well as tourist industry are widespread. The directors of the Company are not pessimistic about the property market in the following reasons. Firstly, the directors of the Company consider that epidemic of this COVID-19 is short term and will be controlled or even ended in couples of months. Secondly, as this epidemic is getting the economy of PRC burned, the directors of the Company believe the government of China will take several measures in both monetary and fiscal policies such as injecting capital into the financial market and increasing government expenditures to help the economy to bounce back from this crisis. Along the way, the pain in Hong Kong arising from this epidemic will be mitigated. Thirdly, the United States, together with other western countries, have a high likelihood to maintain a relatively loosen monetary policies and keep the interest rate low. In turn, the property market in Hong Kong will be benefited and supported in some way.

The Group will continue to monitor the property market and closely communicate with banks to ensure the Group has sufficient banking facilities to support its operation and development. As a result, the directors of the Company is in the opinion that the Group is still at a healthy financing position in near foreseeable future.

PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2019

Name of Property	Location	Approximate gross floor area before re-development (sq.ft)	Final/ expected 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 *(Note 2)*	152,254	Industrial	Completed	N/A	100%
The Rainbow	No. 22, Wang Yip Street South, Yuen Long, New Territories, Hong Kong	93,100	93,100	Commercial	Completed	N/A	100%
CWK Project *(Note 1)*	Nos. 11–15, Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	40,978	154,973	Commercial	Under Development	2021	100%
Yuen Long	No. 21, Wang Yip Street West, Yuen Long, New Territories, Hong Kong	51,772	171,146	Residential	Under Development	2022	100%
Kwun Tong	Nos. 107–109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	82,434	181,440	Commercial	Under Development	2023	100%
Tack Lee	Nos. 107–111 Tung Chau Street, Tai Kok Tsui, Kowloon, Hong Kong	43,428	59,904	Commercial	Under Development	2021	100%
Shing Yip Street	11/F, TG Place, Nos. 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	14,410	14,410	Commercial	Under Development	2022	100%
Seongsu	273-50, 2ga, Seoung su-dong, Seoul Seongdong-Gu	18,977	123,161	Commercial	Under Development	2022	95%
Sausage	314-19, 2ga, Seoung su-dong, Seoul Seongdong-Gu	N/A *(Note 2)*	23,933	Commercial	Under Development	2020	95%

Notes:

1. *CWK Project has been disposed of on 9 January 2020. Please refer to the announcement dated 31 December 2019 for more details.*

2. *The site acquired for the redevelopment project was a vacant development site and therefore it did not have a gross floor area.*

INVESTMENT PROPERTIES AS AT 31 DECEMBER 2019

Name of Property	Address & Location	Existing Use	Condition/nature	Attributable interest of the Group
The Star — *3 parking spaces*	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%
Sea View Estate — 2 units	11/F, Block A, Sea View Estate, No. 2 Watson Road, North Point, Hong Kong	Industrial	Currently leased to an independent third party	100%

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 consolidated financial statements is set out below.

CONSOLIDATED RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**119,979**	671,667	732,390	40,688	78,672
PROFIT BEFORE TAX	**12,241**	241,576	122,261	24,479	42,130
Income tax expense	**(6,944)**	(49,749)	(26,447)	(2,740)	(5,028)
PROFIT FOR THE YEAR	**5,297**	191,827	95,814	21,739	37,102
Attributable to:					
Owners of the Company	**5,724**	191,811	95,814	21,739	37,102

CONSOLIDATED ASSETS AND LIABILITIES

	31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**3,489,763**	3,323,290	2,463,507	1,365,903	1,145,568
TOTAL LIABILITIES	**(2,780,644)**	(2,530,677)	(1,821,541)	(915,775)	(999,113)
NET ASSETS	**709,119**	792,613	641,966	450,128	146,455

Note: The results and summary of assets and liabilities for the year ended 31 December 2015 which was 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.