



STAR PROPERTIES GROUP
(CAYMAN ISLANDS) LIMITED

星星地產集團(開曼群島)有限公司

STOCK CODE: 1560

INTERIM 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,
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)
Mr. 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)
Mr. Lee Chung Ming Eric (李仲明)
Ms. Chan Wah Man Carman (陳華敏)

COMPANY SECRETARY

Ms. Cheung Wai Shuen (HKICS)

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

RISK CONTROL COMMITTEE

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

EXECUTIVE COMMITTEE

Mr. Chan Man Fai Joe
Ms. Cheung Wai Shuen
Mr. Liu Hon Wai
Mr. 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

Hang Seng Bank
83 Des Voeux Road, Central
Hong Kong

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

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

AUDITOR

Deloitte Touche Tohmatsu

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 revenue of the Group for the six months ended 30 June 2019 (the "Period") was approximately HK\$26.4 million, including revenue mainly from property development and provision of finance of approximately HK\$20.9 million and HK\$3.6 million, respectively, (for the six months ended 30 June 2018: approximately HK\$1.8 million, including revenue mainly from provision of finance and provision of property management services of approximately HK\$0.8 million and HK\$0.5 million, respectively), which represented an increase of approximately HK\$24.6 million as compared with the last period. The loss attributable to owners of the Company for the six months ended 30 June 2019 was approximately HK\$3.2 million (for the six months ended 30 June 2018: loss of approximately HK\$14.7 million). The increase in revenue and the decrease in loss for the Period was mainly due to completion and delivery of units from the property development project during the Period. The loss per share for the period was approximately HK0.51 cents as compared to loss per share of approximately HK2.34 cents for the corresponding period last year. The review of the individual business segments of the Group is set out below.

PROPERTY DEVELOPMENT

Development of development sites, redevelopment or enhancement of existing buildings for the purposes of increasing their capital value and realising such increased capital value from sale of properties. Revenue recognised in this business segment for the Period amounted to approximately HK\$20.9 million (for the six months ended 30 June 2018: nil). As at 30 June 2019, the Group has 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 Project; (f) Kwun Tong Site Project; (g) Tack Lee Project; (h) Seongsu Project and (i) Sausage Project.

(a) The Galaxy:

Completion and delivery of two car parking spaces amounted to approximately HK\$0.8 million and was recognised for the Period (for the six months ended 30 June 2018: completion and delivery of eight car parking spaces amounted to approximately HK\$10.5 million).

(b) The Star:

Completion and delivery of two car parking spaces amounted to HK\$4.0 million was recognised for the Period (for the six months ended 30 June 2018: nil). The Group has entered into two provisional purchase and sales agreements in March 2019 and July 2019 in respect of two car parking spaces which are expected to be completed in July 2019 and October 2019. After the completion of the said car parking spaces, the remaining units includes only two workshops on the ground floor and three car parking spaces on the first floor.

(c) The Rainbow:

The remaining alternations and additions works were completed in the first quarter of 2019. Completion and delivery of two units amounted to approximately HK\$16.9 million was recognised for the Period (for the six months ended 30 June 2018: nil). During the Period, the Group has entered into three provisional purchase and sales agreements in respect of three units of The Rainbow which are expected to be completed in the second half of 2019.

(d) CWK Project:

The Group has planned to redevelop the property to a commercial building for general retail and office use. The foundation works was commenced in the second quarter of 2018 and the Group expects the project will be completed in 2021. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

(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 by the Town Planning Board, has submitted building plans to the Buildings Department and in the progress to submit lease modification application to the Lands Department of the Hong Kong Special Administrative Region. The foundation work for the new redevelopment was started in 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. The tenant has been moved out in December 2018 to pave its way for the commencement of redevelopment work. Hoarding plans and demolition plans have already been approved by the Buildings Department of the Hong Kong Special Administrative Region. 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 in July 2019 with the last tenant of the building. In light of the new initiatives of the revitalization of industrial building announced in the Policy Address by the Chief Executive in the fourth quarter of 2018, the Group is exploring the redevelopment option to demolish and reconstruct a new building at the site. Upon the completion of the property redevelopment work, the Group intends to sell out the property to generate revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

(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. The building was acquired together with one existing tenant and the Group has entered into a termination agreement with the tenant to vacant the building. Upon the completion of the property redevelopment work, the Group intends to sell out the whole building to generate revenue.

(i) Sausage Project:

The Group has completed the acquisition in the first half of 2019 to acquire the site which is located in the Seongsu area of Seoul, South Korea. The site does not have any building on it and the Group intends to develop it into a high end prestigious commercial building. Upon the completion of the property redevelopment work, the Group intends to sell out the whole building to generate revenue. Together with Seongsu Project, they would be regarded as a landmark for the Group in the Seongsu area.

During the Period, the Group has focused on planning and development of the existing projects to ensure the goals and timelines of the projects are properly achieved. The Group will continue to pay ongoing attention to the latest property market in Hong Kong and worldwide to source for the best development opportunities.

PROPERTY INVESTMENT

As at 30 June 2019, the Group's portfolio of investment properties comprised of car parking spaces located in Hong Kong with a total carrying value of approximately HK\$8.1 million (31 December 2018: approximately HK\$13.5 million). Revenue recognised in this business segment for the Period amounted to approximately HK\$0.2 million (for the six months ended 30 June 2018: approximately HK\$0.5 million), representing a decrease of approximately HK\$0.3 million over the corresponding period last year. The decrease in gross rental income was mainly due to the sales of car parking spaces during the Period.

The Group intended to increase the proportion of investment property for rental and capital appreciation by acquiring new investment properties, and may consider if any of the development properties to have appreciation potential to be converted as investment properties, which allow more stable rental income to be generated by the investment properties.

PROVISION OF PROPERTY MANAGEMENT SERVICE

Currently, the Group is providing the property management services for the owners of 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 tenants and the end users, the Group decides to take back the property management services in the third quarter of 2019. Revenue recognised in this business segment for the Period amounted to approximately HK\$1.6 million (for the six months ended 30 June 2018: approximately HK\$0.5 million), the Group expects this segment of business to be expanded as the increase of its upcoming completed projects.

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 for the Period amounted to approximately HK\$3.6 million (for the six months ended 30 June 2018: HK\$0.8 million), representing an increase of approximately HK\$2.8 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. The Group expects this business segment will continue to growth healthily.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2019 was approximately HK\$699.8 million (31 December 2018: approximately HK\$792.6 million). As at 30 June 2019, the Group maintained bank balances and cash of approximately HK\$58.2 million (31 December 2018: approximately HK\$121.4 million). The Group's net current asset was approximately HK\$505.5 million (31 December 2018: HK\$573.3 million). The Group had current assets of approximately HK\$3,202.0 million (31 December 2018: approximately HK\$3,103.7 million). The increase of current assets was mainly due to increase in property under development and as well as the new development project as disclosed in the above segment of Property Development. The Group had current liabilities of approximately HK\$2,696.5 million (31 December 2018: approximately HK\$2,530.4 million). The increase of current liabilities was mainly due to increase of borrowings.

The Group generally finances its operations with internally generated cashflow and bank borrowings. As at 30 June 2019, the Group had outstanding bank borrowings of approximately HK\$2,533.2 million (31 December 2018: approximately HK\$2,364.4 million). The bank borrowings as at 30 June 2019 were secured by the Group's properties, pledged bank deposits and corporate guarantee.

The Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as the total borrowings net of cash and cash equivalents divided by total equity) increased from approximately 298.3% as at 31 December 2018 to approximately 362.0% as at 30 June 2019 and increased from approximately 283.0% as at 31 December 2018 to approximately 353.7% as at 30 June 2019 respectively. The increase of both ratios was primarily due to the increase in bank borrowings.

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 72.9% as at 30 June 2019 due to an increase in bank borrowings and the increase in property held for sale.

The Group's capital commitment as at 30 June 2019 amounted to approximately HK\$206.8 million (31 December 2018: approximately HK\$213.6 million). The decrease of capital commitment was mainly due to cost incurred for projects under development.

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.

CAPITAL STRUCTURE

Detail of the movements in the Company's share capital are set out in note 20 of this Interim Report.

FOREIGN EXCHANGE EXPOSURE

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 a site in South Korea as disclosed under the segment of Property Development and the foreign currency denomination of commercial transactions, monetary assets and liabilities, and net investments in foreign operations are mainly in US dollars and Korean won.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2019, offshore borrowings were approximately Korean Won 17 billion, which is approximately HK\$114.9 million (31 December 2018: approximately Korean Won 14 billion, which is approximately HK\$98 million) for the acquisition of two site in South Korea. The offshore borrowings are expected to be repaid after the disposal of South Korea Project is completed. The Group is not subject to any significant foreign currency risk as the revenue, expenses and borrowings of the Group's foreign operating subsidiaries are denominated in the functional currencies of those operations. Foreign currency funding and deposit exposure are monitored on a continuous basis. Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency. The management of the Group is of the opinion that the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the reporting period. Therefore, the Group does not engage in any hedging activities.

PLEDGE OF ASSETS

As at 30 June 2019, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK\$8.1 million and HK\$3,082.4 million as well as HK\$10.2 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

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

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

Save for those disclosed in this Interim Report, there was no significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the reporting period. Save as disclosed in this Interim Report, the Group did not have other plans for material investments or capital assets as of 30 June 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed 17 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 medical, on-the-job and external training to staff are also provided. The Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Group maintains a good relationship with its employees.

POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its businesses, financial condition, operations and prospects, and considered that the major risks and uncertainties that may affect the Group included (i) economic and financial conditions which may directly affect the property market; (ii) availability of suitable sites and/or existing buildings for future property development; (iii) the continuous increase of construction costs; (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) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (vii) all property management services are outsourced to independent third parties that they may fail to provide satisfactory day-to-day onsite management services to users adhering to our quality and standards as required by the Group; and (viii) credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy.

The Group has a series of internal control and risk management policies to cope with the abovementioned possible risks and uncertainties, and has serious scrutiny over the selection of quality customers and suppliers. The Group has formed various committees to develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. The Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

PROSPECT

There is obvious uncertainty in the market due to the factor of the on-going US-China trade war and the recent political instability in HK. There are fears that the local economy, the consumer sentiments and the property market will be hit negatively. The underlying demand for housing and the purchasing capability remain positive overall. The buying sentiment may, however, improve in short term due to increasing in population of Hong Kong and maintaining at low interest rate environment.

The Group will proactively look for feasible development projects to replenish of land bank for its healthy development. The Group will also take advantage of the market opportunities to acquire yield-enhancing investment properties to generate a recurring and stable rental income as well as for capital appreciation to the Group.

In order to broaden the range of services, catering to different types of customer across different stages of the property development and investment chain, the Group decides to establish the business segment to provide construction services to enhance the synergy and for better cost and quality control. The Group is in the progress to apply the relevant licenses and hopefully to obtain all necessary licenses by end of 2019.

Also, the Group intended to provide agency services include the provision of property market information and agency services to our customers. The one-stop service offers a range of value-added services such as sales of properties in property development projects to potential purchasers, leasing and looking for the primary and secondary market.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: HK2.4 cents per share). A final dividend of HK15.5 cents per share was paid on 25 April 2019 in respect of the year ended 31 December 2018 (2017: HK5.6 cents per share) to shareholders during the reporting period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

INTERESTS OF OUR DIRECTORS AND CHIEF EXECUTIVE IN OUR SHARES

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 Director				
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 Directors				
Mr. Yim Kwok 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		627,200	627,200	0.10

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 30 June 2019.*

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at 30 June 2019, 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%

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 BVI with limited liability and is wholly owned by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in all shares in which Star Properties Holdings (BVI) Limited is interested.
3. Eagle Trend (BVI) Limited is an investment holding company incorporated on 29 February 2016 in the BVI with limited liability and is wholly-owned by Mr. Lam Kin Kok. By virtue of the SFO, Mr. Lam Kin Kok is deemed to be interested in all shares in which Eagle Trend (BVI) Limited is interested.
4. These percentages were compiled based on the total number of issued shares (i.e. 641,498,000 shares) at 30 June 2019.

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.

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.

DETAILS OF THE MOVEMENTS IN THE COMPANY'S SHARE OPTIONS DURING THE SIX MONTHS ENDED 30 JUNE 2019 ARE SET OUT BELOW:

Name or category	Date of grant of share options	Exercisable period	Exercise price of share option	Outstanding as at 1 January 2019	Granted during the six months ended 30 June 2019	Exercised during the six months ended 30 June 2019	Cancelled During the six months ended 30 June 2019	Lapsed during the six months ended 30 June 2019	Outstanding at 30 June 2019	Approximate Percentage of the issued shares of the Company
Executive Directors										
Mr. Chan Man Fai Joe	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	4,704,000	–	–	–	–	4,704,000	0.73%
	10 October 2018	18 October 2018 to 17 October 2028	HK\$0.75	6,272,000	–	5,500,000	–	–	772,000	0.12%
Ms. Cheung Wai Shuen	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	4,704,000	–	–	–	–	4,704,000	0.73%
	10 October 2018	18 October 2018 to 17 October 2028	HK\$0.75	2,195,200	–	800,000	–	–	1,395,200	0.22%
Mr. Liu Hon Wai	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	4,704,000	–	–	–	–	4,704,000	0.73%
	10 October 2018	18 October 2018 to 17 October 2028	HK\$0.75	2,195,200	–	2,000,000	–	–	195,200	0.03%
Mr. Pong Kam Keung	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	470,400	–	–	–	–	470,400	0.07%
	10 October 2018	18 October 2018 to 17 October 2028	HK\$0.75	2,665,600	–	1,000,000	–	–	1,665,600	0.26%
Non Executive Director										
Mr. Yim Kwok Man	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	470,400	–	–	–	–	470,400	0.07%
	10 October 2018	18 October 2018 to 17 October 2028	HK\$0.75	156,800	–	–	–	–	156,800	0.02%
Independent Non Executive Director										
Mr. Shiu Siu Tao	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	470,400	–	–	–	–	470,400	0.07%
	10 October 2018	18 October 2018 to 17 October 2028	HK\$0.75	156,800	–	–	–	–	156,800	0.02%
Ms. Chan Wah Man Carman	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	470,400	–	–	–	–	470,400	0.07%
	10 October 2018	18 October 2018 to 17 October 2028	HK\$0.75	156,800	–	156,000	–	–	800	0.00%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name or category	Date of grant of share options	Exercisable period	Exercise price of share option	Outstanding as at 1 January 2019	Granted during the six months ended 30 June 2019	Exercised during the six months ended 30 June 2019	Cancelled During the six months ended 30 June 2019	Lapsed during the six months ended 30 June 2019	Outstanding at 30 June 2019	Approximate Percentage of the issued shares of the Company
Mr. Lee Chung Ming Eric	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	470,400	–	–	–	–	470,400	0.07%
	10 October 2018	18 October 2018 to 17 October 2028	HK\$0.75	156,800	–	–	–	–	156,800	0.02%
Other Employees/contractors										
Other Employees/contractors	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	3,292,800	–	–	–	–	3,292,800	0.51%
	10 October 2018	18 October 2018 to 17 October 2028	HK\$0.75	7,237,888	–	4,842,000	–	940,800	1,455,088	0.23%

Notes:

1. These options represent personal interest held by the grantees as beneficial owners.
2. These percentages were compiled based on the total number of issued shares (i.e. 641,498,000 shares) at 30 June 2019.

Save as disclosed, as at 30 June 2019, none of the Directors and chief executives of the Company had registered an interest or short positions in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at 30 June 2019, none of the Directors and their respective close associates have any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses to which the Directors and their close associates were appointed to represent the interests of the Company and/or the Group.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") relating to dealings in securities. Memorandum was sent to the Directors twice a year to draw their attention to the Model Code. The Company made specific enquiries to each Director and received their written confirmation of full compliance with the Model Code throughout the Period and no incident of non-compliance by the directors was noted by the Company throughout the Period.

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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 consider Mr. Chan Man Fai Joe the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our shareholders as a whole.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee comprises three independent nonexecutive Directors, namely, Ms. Chan Wah Man Carman, Mr. Lee Chung Ming Eric and Mr. Shiu Siu Tao with Ms. Chan Wah Man Carman being the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Company for the six months end 30 June 2019 and agreed to the accounting principles and practices adopted by the Company.

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

Hong Kong, 16 August 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF STAR PROPERTIES GROUP (CAYMAN ISLANDS) LIMITED

星星地產集團(開曼群島)有限公司

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Star Properties Group (Cayman Islands) Limited and its subsidiaries set out on pages 17 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Six months ended	
		30.6.2019 HK\$'000 (Unaudited)	30.6.2018 HK\$'000 (Unaudited)
Revenue			
Sales of properties and provision of property management services	3A	22,572	533
Rental income from leasing of investment properties		212	472
Interest income from provision of finance		3,596	810
Total revenue		26,380	1,815
Cost of sales and services		(6,734)	(258)
Gross profit		19,646	1,557
Other income	4	3,128	14,431
(Loss) gain on change in fair value of financial assets at fair value through profit or loss		(1,119)	1,416
(Loss) gain on change in fair value of investment properties	11	(620)	670
Selling expenses		(1,491)	(1,776)
Administrative expenses		(13,505)	(10,902)
Finance costs	5	(8,092)	(19,935)
Loss before tax	6	(2,053)	(14,539)
Income tax expense	7	(1,411)	(138)
Loss for the period		(3,464)	(14,677)
Other comprehensive expense for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operation		(2,404)	—
Total comprehensive expense for the period		(5,868)	(14,677)
Loss for the period attributable to:			
Owners of the Company		(3,241)	(14,677)
Non-controlling interests		(223)	—
		(3,464)	(14,677)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(5,573)	(14,677)
Non-controlling interests		(295)	—
		(5,868)	(14,677)
Loss per share			
— Basic and diluted (HK cents)	9	(0.51)	(2.34)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
Non-current Assets			
Plant and equipment	10	484	475
Right-of-use assets	10	1,670	—
Investment properties	11	8,050	13,470
Loan receivables	12	168,226	199,260
Financial assets at fair value through profit or loss	13	6,222	6,412
Deposit paid for acquisition of a company	15	9,876	—
		194,528	219,617
Current Assets			
Properties held for sale	14	3,084,541	2,906,848
Trade and other receivables	15	23,412	25,959
Contract costs		301	301
Financial assets at fair value through profit or loss	13	5,574	204
Stakeholder's accounts	16	19,805	38,877
Pledged bank deposits	16	10,168	10,115
Bank balances and cash	16	58,217	121,369
		3,202,018	3,103,673
Current Liabilities			
Trade and other payables	17	83,801	91,430
Lease liabilities		1,822	—
Contract liabilities	18	2,669	692
Tax liabilities		75,016	73,813
Borrowings	19	2,533,171	2,364,437
		2,696,479	2,530,372
Net Current Assets		505,539	573,301
Total Assets less Current Liabilities		700,067	792,918
Non-current Liability			
Deferred tax liabilities		305	305
Net Assets		699,762	792,613
Capital and Reserves			
Share capital	20	6,415	6,272
Reserves		690,162	784,587
Equity attributable to owners of the Company		696,577	790,859
Non-controlling interests		3,185	1,754
Total Equity		699,762	792,613

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company						Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Shareholders' contribution HK\$'000 <i>(Note)</i>	Retained earnings HK\$'000			
At 1 January 2018 (audited)	6,272	218,425	12,543	—	190,000	214,726	641,966	—	641,966
Loss and total comprehensive expense for the period	—	—	—	—	—	(14,677)	(14,677)	—	(14,677)
Recognition of equity-settled share- based payment (note 21)	—	—	883	—	—	—	883	—	883
Lapse of share options (note 21)	—	—	(3,269)	—	—	3,269	—	—	—
Dividend paid (note 8)	—	—	—	—	—	(35,123)	(35,123)	—	(35,123)
At 30 June 2018 (unaudited)	6,272	218,425	10,157	—	190,000	168,195	593,049	—	593,049
At 1 January 2019 (audited)	6,272	218,425	16,755	(223)	190,000	359,630	790,859	1,754	792,613
Loss for the period	—	—	—	—	—	(3,241)	(3,241)	(223)	(3,464)
Other comprehensive expense for the period	—	—	—	(2,332)	—	—	(2,332)	(72)	(2,404)
Loss and total comprehensive expense for the period	—	—	—	(2,332)	—	(3,241)	(5,573)	(295)	(5,868)
Capital contribution from non- controlling interests	—	—	—	—	—	—	—	1,726	1,726
Exercise of share options (note 21)	143	15,032	(4,452)	—	—	—	10,723	—	10,723
Lapse of share options (note 21)	—	—	(291)	—	—	291	—	—	—
Dividend paid (note 8)	—	—	—	—	—	(99,432)	(99,432)	—	(99,432)
At 30 June 2019 (unaudited)	6,415	233,457	12,012	(2,555)	190,000	257,248	696,577	3,185	699,762

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended	
	30.6.2019 HK\$'000 (Unaudited)	30.6.2018 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Loss before tax	(2,053)	(14,539)
Adjustments for:		
Depreciation of plant and equipment	62	117
Depreciation of right-of-use assets	152	—
Equity-settled share-based payment	—	883
Finance costs	8,092	19,935
Gain on disposal of plant and equipment	(4)	—
Interest income earned on bank balances and pledged bank deposits	(126)	(319)
Loss (gain) on change in fair value of financial assets at fair value through profit or loss	1,119	(1,416)
Loss (gain) on change in fair value of investment properties	620	(670)
Operating cash flows before movements in working capital	7,862	3,991
Decrease in loan receivables	32,992	12,142
Increase in properties held for sale	(146,317)	(110,835)
Increase in deposits paid for properties held for sale	—	(214,487)
Decrease (increase) in trade and other receivables	545	(9,220)
Increase in contract costs	—	(4,543)
Decrease (increase) in stakeholder's account	19,072	(18,716)
Decrease in trade and other payables	(9,461)	(16,873)
Increase in contract liabilities	1,977	181,155
Cash used in operations	(93,330)	(177,386)
Income tax paid	(208)	—
NET CASH USED IN OPERATING ACTIVITIES	(93,538)	(177,386)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended	
	30.6.2019 HK\$'000 (Unaudited)	30.6.2018 HK\$'000 (Unaudited)
INVESTING ACTIVITIES		
Interest received from bank balances and pledged bank deposits	126	319
Purchase of plant and equipment	(84)	(73)
Proceeds from disposal of plant and equipment	17	—
Deposit paid for acquisition of a company	(9,876)	—
Proceeds from disposal of investment properties	4,800	10,500
Deposits received for disposal of assets classified as held for sales	—	1,410
Purchase of financial assets at fair value through profit or loss	(6,323)	(21,497)
Proceeds from refund of financial assets at fair value through profit or loss	24	—
Proceeds from disposal of financial assets at fair value through profit or loss	—	10,665
Placement of pledged bank deposits	—	(32)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(11,316)	1,292
FINANCING ACTIVITIES		
Dividend paid	(99,432)	(35,123)
Interest paid	(43,132)	(29,705)
Advance from a director	—	30,000
Repayment to a director	—	(30,000)
Capital contribution from non-controlling interests	1,726	—
Proceeds from exercise of share options	10,723	—
Borrowings raised	346,349	414,746
Repayment of borrowings	(174,114)	(196,272)
NET CASH FROM FINANCING ACTIVITIES	42,120	153,646
NET DECREASE IN CASH AND CASH EQUIVALENTS	(62,734)	(22,448)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	121,369	63,465
Effect of foreign exchange rate changes	(418)	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	58,217	41,017

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the annual financial statements of Star Properties Group (Cayman Islands) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018.

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

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 period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations.

2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

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 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 or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

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.

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

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.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of a motor vehicle and a director's 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 are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

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

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

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;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option which is reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

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.
- 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

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.

Taxation

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 which is considered to have no material impact to the Group's condensed consolidated financial statements for the six months ended 30 June 2019.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* 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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessor (Continued)

Lease modification

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.

2.2 Transition and summary of effects arising initial application of HKFRS 16

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. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following 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:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. 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;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2 Transition and summary of effects arising initial application of HKFRS 16 (Continued)

As a lessee (Continued)

- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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 transition 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 condensed 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.
- (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.

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

There is no material impact, as a lessor, to the Group's condensed consolidated statement of financial position, condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows upon the application of HKFRS 16 for the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on sales of properties, leasing of investment properties, provision of property management services and provision of finance.

(A) REVENUE FROM SALES OF PROPERTIES AND PROVISION OF PROPERTY MANAGEMENT SERVICES

Disaggregation of revenue

Segments	Property development		Provision of property management services		Total	
	Six months ended		Six months ended		Six months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of properties						
Workshop units in a revitalised industrial building	16,933	—	—	—	16,933	—
Carparks in a rebuilt industrial building	4,000	—	—	—	4,000	—
Provision of property management services						
Property management services	—	—	1,639	533	1,639	533
	20,933	—	1,639	533	22,572	533
Geographical markets						
Hong Kong	20,933	—	1,639	533	22,572	533
Timing of revenue recognition						
A point in time	20,933	—	—	—	20,933	—
Over time	—	—	1,639	533	1,639	533
	20,933	—	1,639	533	22,572	533

The revenue from contracts with customers is disaggregated on the same basis as the reportable segments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION (Continued)

(B) SEGMENT INFORMATION

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

1. Property development — sales of properties
2. Property investment — rental income from leasing of investment properties
3. Provision of property management services — provision of property management services for the completed properties
4. Provision of finance — provision of financing services to the property buyers

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

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property development	20,933	—	6,097	(4,407)
Property investment	212	472	2,448	(11)
Provision of property management services	1,639	533	1,120	277
Provision of finance	3,596	810	1,354	748
	26,380	1,815	11,019	(3,393)
Unallocated income			96	33
Unallocated expenses			(12,188)	(9,969)
Finance costs			(980)	(1,210)
Loss before tax			(2,053)	(14,539)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION (Continued)

(B) SEGMENT INFORMATION (Continued)

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

	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
Segments assets		
Property development	3,155,126	2,977,764
Property investment	8,206	13,864
Provision of property management services	1,010	801
Provision of finance	186,058	221,462
Total segment assets	3,350,400	3,213,891
Unallocated assets	46,146	109,399
Consolidated total assets	3,396,546	3,323,290
Segments liabilities		
Property development	2,577,964	2,345,678
Property investment	312	308
Provision of property management services	180	247
Provision of finance	86,635	132,522
Total segment liabilities	2,665,091	2,478,755
Unallocated liabilities	31,693	51,922
Consolidated total liabilities	2,696,784	2,530,677

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. OTHER INCOME

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income earned on bank balances and pledged bank deposits	126	319
Temporary rental income from properties held for sale	2,987	14,060
Others	15	52
	3,128	14,431

5. FINANCE COSTS

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
Borrowings	44,986	29,606
Loan from a director	—	99
Total borrowing costs	44,986	29,705
Less: amount capitalised in cost of qualifying assets	(36,894)	(9,770)
	8,092	19,935

Borrowing costs capitalised at rate ranging from 2.97% to 4.17% (for the six months ended 30 June 2018: 3.54%) per annum during the period arose on the specific borrowings for the expenditure on each property development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

6. LOSS BEFORE TAX

	Six months ended	
	30.6.2019 HK\$'000 (Unaudited)	30.6.2018 HK\$'000 (Unaudited)
Loss before tax has been arrived at after charging (crediting):		
Directors' emoluments	2,626	2,706
Other staff costs	4,930	4,504
Total staff costs	7,556	7,210
Less: capitalised in properties held for sale	(1,757)	(2,991)
	5,799	4,219
Depreciation of plant and equipment	62	117
Depreciation of right-of-use assets	152	—
Property agency commission (included in selling expenses)	1,447	34
Gain on disposal of plant and equipment	(4)	—
Legal and professional fees	1,280	1,180
Gross rental income from investment properties	(212)	(472)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	—	17
	(212)	(455)

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2019 HK\$'000 (Unaudited)	30.6.2018 HK\$'000 (Unaudited)
Hong Kong Profits Tax — current period	1,411	124
Deferred tax	—	14
	1,411	138

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

8. DIVIDEND

During the current period, a final dividend of HK15.5 cents per share in respect of the year ended 31 December 2018 (for the six months ended 30 June 2018: final dividend of HK5.6 cents per share in respect of the year ended 31 December 2017), totaling HK\$99,432,000 (for the six months ended 30 June 2018: HK\$35,123,000), was declared and paid.

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2019.

9. LOSS PER SHARE

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

	Six months ended	
	30.6.2019 HK\$'000 (Unaudited)	30.6.2018 HK\$'000 (Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(3,241)	(14,677)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	635,417	627,200
Effect of dilutive potential ordinary shares:		
Outstanding share options issued by the Company (Note)	—	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	635,417	627,200

Note: The computation of diluted loss per share for the six months ended 30 June 2019 and 2018 does not assume the exercise of the Company's share options because their assumed exercise would result in a decrease in loss per share.

10. MOVEMENTS IN PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the current interim period, the Group spent HK\$84,000 (for the six months ended 30 June 2018: HK\$73,000) on plant and equipment and disposed of certain office equipment with an aggregate carrying amount of HK\$13,000 for cash proceeds of HK\$17,000 (for the six months ended 30 June 2018: nil), resulting in a gain on disposal of HK\$4,000 (for the six months ended 30 June 2018: nil).

During the current interim period, the Group entered into three new lease agreements with a director of a subsidiary of the Company for the use of office premises located in South Korea for three years. The Group is required to make full payment of the leases within three months since the commencement of the lease terms. On lease commencement, the Group recognised right-of-use assets and lease liabilities of HK\$1,822,000. There is no renewal options included in these lease agreements.

11. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 January 2019 (Audited)	13,470
Decrease in fair value	(620)
Disposal	(4,800)
At 30 June 2019 (Unaudited)	8,050

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

The fair value of the investment properties, i.e. carparks, which is classified as Level 3 of the fair value hierarchy at 30 June 2019 (31 December 2018: Level 3 of the fair value hierarchy), were arrived at by the assessment performed by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

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

There were no transfers into or out of Level 3 during the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. INVESTMENT PROPERTIES (Continued)

For the purpose of measuring deferred tax liability arising from investment properties that are 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.

The Group's investment properties have been pledged to secure bank borrowings granted to the Group. Details are set out in note 19.

12. LOAN RECEIVABLES

	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
Variable-rate loan receivables	184,888	217,880
Analysis as:		
Non-current portion	168,226	199,260
Current portion (<i>note 15</i>)	16,662	18,620
Total	184,888	217,880

As at 30 June 2019, the balances included:

- (i) loan receivables amounting to HK\$209,000 (31 December 2018: HK\$277,000), which are secured by the property units of a borrower, interest bearing at Hong Kong Prime Rate quoted by the lending bank plus 2% per annum. The principal amounts started to be repaid in November 2016 in accordance with the repayment schedules until 2021;
- (ii) loan receivables amounting to HK\$177,329,000 (31 December 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 by instalments in accordance with respective repayment schedules until 2029; and
- (iii) loan receivables amounting to HK\$7,350,000 (31 December 2018: HK\$7,350,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong Prime Rate quoted by the lending bank. The principal amounts will be due and fully repayable in 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

12. LOAN RECEIVABLES (Continued)

Loans are provided to borrowers at a range of 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 amounts of loan receivables at both 30 June 2019 and 31 December 2018.

As at 30 June 2019 and 31 December 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:

	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
Variable-rate loan receivables		
Within one year	16,662	18,620
In more than one year but not more than two years	14,815	18,267
In more than two years but not more than five years	153,411	180,993
	184,888	217,880

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

	30.6.2019 (Unaudited)	31.12.2018 (Audited)
Effective interest rate:		
— Variable-rate loan receivables	3.5% to 7.125%	3.5% to 7.125%

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
Unlisted investment fund	(a)	4,703	4,869
Unlisted participation note	(b)	1,519	1,543
Listed equity securities	(c)	5,574	204
Total		11,796	6,616
Classified as:			
Financial assets at fair value through profit or loss			
— Non-current		6,222	6,412
— Current		5,574	204
		11,796	6,616

Notes:

- (a) In May 2018, the Group subscribed to an unlisted private equity fund at cost of HK\$5,000,000 representing 10% of the total fund size. The Group has recognised a fair value loss of HK\$166,000 (for the six months ended 30 June 2018: nil) in respect of the changes in fair value in the profit or loss. The fair value of this unlisted fund investment was measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.
- (b) As at 30 June 2019, the unlisted participation note is at a fair value of HK\$1,519,000 (31 December 2018: HK\$1,543,000). No change in fair value has been recognised in the profit or loss (for the six months ended 30 June 2018: fair value gain of HK\$984,000 has been recognised in the profit or loss). The decrease of HK\$24,000 is due to refund of unused funds during the current interim period. 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.
- (c) The fair value of the above investments are measured under Level 1 fair value hierarchy which are based on the quoted price from active markets. The Group has recognised a fair value loss of HK\$953,000 (for the six months ended 30 June 2018: fair value gain of HK\$432,000) in respect of the change in fair value in the profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. PROPERTIES HELD FOR SALE

	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
The Group's carrying amounts of properties held for sale, stated at cost, comprise:		
— Properties under development	2,578,677	2,405,336
— Completed properties	505,864	501,512
	3,084,541	2,906,848
Properties to be realised after one year	2,578,677	2,389,490

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

The Group's properties held for sale with an aggregate amount of HK\$3,082,377,000 (31 December 2018: HK\$2,904,647,000) have been pledged to secure bank borrowings granted to the Group with details set out in note 19.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. TRADE AND OTHER RECEIVABLES

	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
Non-current assets:		
Deposit paid for acquisition of a company (Note (a))	9,876	—
Current assets:		
Trade receivables from property management services	351	259
Lease receivables	19,852	18,987
	20,203	19,246
Less: Allowance for credit losses (Note (b))	(18,765)	(18,765)
	1,438	481
Loan receivables (Note 12)	16,662	18,620
Loan interest receivable	301	358
Deposits and other receivables	4,541	5,015
Prepayments	470	1,485
	23,412	25,959

Notes:

- (a) As at 30 June 2019, amount represents deposit paid by the Group of HK\$9,876,000 for acquiring the entire issued share capital of a target company, and the loan advance due and payable by the target company to vendors, for a total cash consideration of HK\$49,380,000. The target company owns properties located in Hong Kong. The directors of the Company intended to acquire the properties for investment purpose. The remaining consideration of HK\$39,504,000 will be payable upon the completion of the transaction. The transaction has not been completed as at 30 June 2019.
- (b) As at 30 June 2019, the allowance for credit losses is related to an individually impaired lease receivable of a single customer amounting to HK\$18,765,000 (31 December 2018: HK\$18,765,000) that defaulted 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 (31 December 2018: HK\$18,765,000) has been recognised in respect of such lease receivable.

15. TRADE AND OTHER RECEIVABLES (Continued)

No credit terms 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 the invoice dates.

	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
0 to 30 days	1,438	481

All of the Group's trade receivables from property management services and lease receivables are past due as at the end of both reporting periods for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Based on the Group's assessment on expected credit loss, no additional allowance for credit losses is recognised for trade and other receivables during the current interim period.

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

The amounts comprise a stakeholder's account which is held by an independent intermediary for collecting sales receipts on the Group's behalf. The amounts are interest bearing at prevailing market interest rate of 0.001% to 1.5% (31 December 2018: 0.001% to 1.1%) per annum.

Pledged bank deposits represent bank deposits pledged to a bank for securing banking facilities granted to the Group set out in note 19.

The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, and carry interests at prevailing market interest rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. TRADE AND OTHER PAYABLES

	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
Retention payables (Note)	17,002	14,785
Other payables, deposits received and accruals		
– Rental deposits received	9,450	8,650
– Accrued construction costs	46,181	52,136
– Accrued interest	4,143	2,289
– Accrued agency commission	603	1,346
– Accrued management fee	1,350	5,689
– Accrued legal and professional fee	3,439	4,236
– Others	1,633	2,299
	83,801	91,430

Note: As at 30 June 2019, retention payables amounting to HK\$7,366,000 (31 December 2018: HK\$12,344,000) was aged within one year while the remaining amount of HK\$9,636,000 (31 December 2018: HK\$2,441,000) was aged one to two years. All retention payables as at 30 June 2019 and 31 December 2018 were expected to be paid or settled in one to two years from the end of the corresponding reporting period.

18. CONTRACT LIABILITIES

During the six month ended 30 June 2019, the Group has recognised revenue of HK\$531,000 that was included in the contract liabilities at the beginning of the period.

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 customer 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.

19. BORROWINGS

	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
Bank borrowings	2,533,171	2,364,437

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

19. BORROWINGS (Continued)

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

	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
Properties held for sale		
— completed properties	503,700	499,311
— properties under development	2,578,677	2,405,336
	3,082,377	2,904,647
Investment properties	8,050	13,470
Pledged bank deposits	10,168	10,115
	3,100,595	2,928,232

20. 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, 30 June 2018, 1 January 2019 and 30 June 2019	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2018, 30 June 2018 and 1 January 2019	627,200,000	6,272
Exercise of share options (<i>note 21</i>)	14,298,000	143
At 30 June 2019	641,498,000	6,415

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. 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 (the date must be a business day, “Offer Date”); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

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

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

On 25 January 2017, 12,432,000 share options with exercise price of HK\$2.06 per share (“Scheme 1”) were granted to certain directors and employees. These share options are with vesting period from 25 January 2017 to 24 January 2018 and are exercisable from 25 January 2018 to 12 July 2026. After the bonus issue in May 2017 and open offer of shares in September 2017, the number and exercise price of the share options were adjusted to 26,107,200 share options and HK\$0.98 per share.

On 18 October 2018, 21,193,088 share options with exercise price of HK\$0.75 per share (“Scheme 2”) were granted to certain directors and employees. These share options are immediately vested and are exercisable from 18 October 2018 to 17 October 2028.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercisable period	Exercise price
Scheme 1				
Directors	25 January 2017	25 January 2017 to 24 January 2018	25 January 2018 to 12 July 2026	HK\$0.98 (adjusted)
Employee	25 January 2017	25 January 2017 to 24 January 2018	25 January 2018 to 12 July 2026	HK\$0.98 (adjusted)
Scheme 2				
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 participants during the current period:

Scheme 1

Option type	Outstanding at 1.1.2019	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2019
Directors	16,464,000	—	—	—	16,464,000
Employees	3,292,800	—	—	—	3,292,800
	19,756,800	—	—	—	19,756,800

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Scheme 2

Option type	Outstanding at 1.1.2019	Granted during the period	Exercised during the period	Lapsed during the period <i>(Note)</i>	Outstanding at 30.6.2019
Directors	13,955,200	—	(9,456,000)	—	4,499,200
Employees	7,237,888	—	(4,842,000)	(940,800)	1,455,088
	21,193,088	—	(14,298,000)	(940,800)	5,954,288

Note: During the current period, 940,800 share options for a full-time employee are lapsed after the vesting date upon his resignation.

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.

During the six months ended 30 June 2018, the Group recognised total expenses of HK\$883,000 in relation to share options granted by the Company. In addition, 940,800 share options (for the six months ended 30 June 2018: 6,350,400 share options) are lapsed during the six months ended 30 June 2019 and the relevant share options reserve previously recognised of HK\$291,000 (for the six months ended 30 June 2018: HK\$3,269,000) are transferred to retained earnings accordingly.

22. CAPITAL COMMITMENTS

	30.6.2019 HK\$'000 (Unaudited)	31.12.2018 HK\$'000 (Audited)
Capital expenditure in respect of the properties development project contracted for but not provided in the condensed consolidated financial statements	167,271	213,565
Capital commitment in respect of acquisition of a company <i>(note 15)</i>	39,504	—
	206,775	213,565

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Details of recurring fair value measurement of these assets are set out in note 13. During the six months ended 30 June 2019, there were no transfers between level 1 and 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 condensed consolidated financial statements approximate their fair values.

24. RELATED PARTY DISCLOSURES

(I) TRANSACTIONS

Other than disclosed elsewhere, the Group had the following transactions with related parties during the period:

Name of related parties	Nature of transaction	Six months ended	
		30.6.2019 HK\$'000 (Unaudited)	30.6.2018 HK\$'000 (Unaudited)
Mr. Chan Man Fai Joe (director)	Finance cost (Note (a))	—	99
Mr. Liu Hon Wai (director)	Sales commission (Note (b))	119	—
Lala Eat Company Limited ("Lala Eat")	Entertainment expense (Note (c))	3	—
Vogue City Limited ("Vogue City")	Motor vehicle expenses (Note (d))	30	30
Vogue Town Limited ("Vogue Town")	Rental of a director's quarter (Note (e))	990	900
Metropolitan Fine Wine Limited ("Metropolitan Wine")	Entertainment expense (Note (c))	12	93
Metropolitan Production Limited ("Metropolitan Production")	Marketing expenses (Note (f))	—	1,870
Metropolitan Workshop Limited ("Metropolitan Workshop")	Rental expenses (Note (g))	100	649
Metro Yoga & Dance Limited ("Metro Yoga & Dance")	Rental income (Note (h))	718	—
Metropolitan Kitchen Limited ("Metropolitan Kitchen")	Entertainment expense (Note (c))	9	—
M&M Kitchen Limited ("M & M")	Entertainment expense (Note (c))	24	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

24. RELATED PARTY DISCLOSURES (Continued)

(I) TRANSACTIONS (Continued)

Notes:

- (a) *The loan from a director carried interest at 3.5% per annum for the six months ended 30 June 2018. The loan amounting to HK\$30,000,000 was received and repaid to the director during the six months ended 30 June 2018.*
- (b) *The sales commission is determined based on the agreed terms as set out in the letter of employment.*
- (c) *Entertainment expense represented providing of wines and catering services from Lala Eat, Metropolitan Wine, Metropolitan Kitchen and M&M at a price agreed by both parties.*
- (d) *Motor vehicle expenses represented the leasing of motor vehicles from Vogue City at a price agreed by both parties.*
- (e) *The rental expense represented the leasing of a director's quarter for Mr. Chan Man Fai, Joe from Vogue Town at a price agreed by both parties.*
- (f) *Marketing expenses represented service fees charged by Metropolitan Production at a price agreed by both parties.*
- (g) *Rental expenses charged by Metropolitan Workshop were based on office areas occupied by the Group and at a rent agreed by both parties.*
- (h) *Rental income received from Metro Yoga & Dance represented the leasing of a workshop unit from the Group at a price agreed by both parties.*

A director, who is also the controlling shareholder, 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. Their emoluments are disclosed in note 6.