



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
2018



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CORPORATE INFORMATION

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.starproperties.com.hk

BOARD OF DIRECTORS

Executive director

Mr. Chan Man Fai Joe (陳文輝)
Ms. Cheung Wai Shuen (張慧璇)
Mr. Liu Hon Wai (廖漢威)

Non-executive director

Mr. Pong Kam Keung (龐錦強)
Mr. Yim Kwok Man (嚴國文)

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 (*Chairman*)
Ms. Cheung Wai Shuen
Mr. Liu Hon Wai

AUTHORISED REPRESENTATIVES

Mr. Chan Man Fai Joe
Ms. Cheung Wai Shuen

COMPLIANCE ADVISER

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

PRINCIPAL BANKERS

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

Hang Seng Bank
83 Des Voeux Road, Central
Hong Kong

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

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

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 2018 was 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, (for the six months ended 30 June 2017: approximately HK\$596.4 million, including revenue mainly from property development and property investment of approximately HK\$594.0 million and HK\$1.7 million, respectively), which represented a decrease of approximately HK\$594.6 million as compared with the last period. The loss attributable to owners of the Company for the six months ended 30 June 2018 was approximately HK\$14.7 million (for the six months ended 30 June 2017: profit of approximately HK\$92.2 million).

The decrease in revenue and the loss for the six months ended 30 June 2018 was mainly due to no completion and delivery of units from the property development project during the reporting period. The loss per share for the period was approximately HK2.34 cents as compared to earnings per share of approximately HK20.59 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. There was no revenue recognised in this business segment for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately HK\$594.0 million). As at 30 June 2018, the Group has two completed projects, namely, (a) The Galaxy; and (b) The Star; and four projects under development, namely, (c) the Rainbow; (d) the CWK Project; (e) the Yuen Long Site Project; and (f) the Kwun Tong Site Project; as well as one new development project (g) Tack Lee Project which has been completed in July 2018.

(a) The Galaxy:

Completion of the sale and purchase agreements in respect of eight car parking spaces amounted to approximately HK\$10.5 million for the six months ended 30 June 2018 and was recognised in this current period (for the six months ended 30 June 2017: approximately HK\$10.6 million).

(b) The Star:

All units of The Star other than 2 units on ground floor and car parking spaces have been sold out and delivered in the year of 2017. There was no revenue recognised for the completion and delivery of the units for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately HK\$594.0 million). The Group has entered into certain provisional sale and purchase agreements in respect of twelve car parking spaces in May 2018 and completed the disposals in August 2018.

(c) The Rainbow:

The Group has started pre-sales of the project in November 2017 and the total consideration amounted to approximately HK\$617.3 million up to the reporting period ended, which will be recognised (subject to audit) as revenue of the Group upon completion and delivery of units. The alternations and additions works are in progress and is expected to be completed separately into two to three phases within third quarter of 2018 and first quarter of 2019.

(d) The CWK Project:

The Group has planned to redevelop the property to a commercial building for general retail and office use with total GFA approximately 155,000 sq ft. The foundation works is commenced in the second quarter of 2018 and the Group expects the project will be completed at the end of 2020.

(e) The Yuen Long Site Project:

The Group intends to redevelop it into a residential complex with some shops. This project is positioned as a luxury and stylish condominium residential complex targeting the young residents pursuing high quality and design driven lifestyle residential market. The Group is in the progress to submit the building plans to the Building Department of the Hong Kong Government and lease modification application to the Lands Department of the Hong Kong Government. The Group has commenced the hoarding works in the second quarter of 2018 and expects to commence the demolition works in second half of 2018.

(f) Kwun Tong Site Project:

The Group intends to redevelop it into a high grade commercial building. The building is currently leasing out to generate temporary rental income from properties held for sale. The Group is in the progress to submit the building plans to the Building Department of the Hong Kong Government and prepare the submission of lease modification application to the Lands Department of the Hong Kong Government. The Group expects to possess the site at the end of 2018 upon tenancy vacating.

(g) Tack Lee Project:

The Group has entered into a provisional sale and purchase agreement in January 2018, through a company incorporated in Hong Kong and a wholly-owned subsidiary of the Group as the purchaser, in relation to the acquisition of an industrial building located at Tung Chau Street, Kowloon. The acquisition is expected to complete in third quarter of 2018 and the Group intends to carry out enhancement works (via alterations and additions works) to upgrade the industrial building. The building was acquired together with existing tenancy agreement and we may give notice to the tenant or enter into surrender agreements with the tenant to early terminate the tenancy agreements. Upon completion of property enhancement works, we intend to sell out to generate revenue for the Group.

(h) New development project – Shing Yip Street, Kwun Tong:

The Group has entered into certain provisional sale and purchase agreements in March 2018, through a company incorporated in Hong Kong and a wholly-owned subsidiary of the Group as the purchaser, in relation to the acquisition of a whole floor commercial building located in Shing Yip Street, Kwun Tong. The Group has completed the acquisition in July 2018.

The Group will continue to strengthen its property development segment and maintain stable income by increasing the number of developing projects. The Group is confident that these projects will be a key growth driver for the Group in the forthcoming years.

PROPERTY INVESTMENT

As at 30 June 2018, the Group's portfolio of investment properties comprised of car parking spaces located in Hong Kong with a total carrying value of approximately HK\$12.8 million (31 December 2017: approximately HK\$36.7 million). Revenue recognised in this business segment for the six months ended 30 June 2018 amounted to approximately HK\$0.5 million (for the six months ended 30 June 2017: approximately HK\$1.7 million), representing a decrease of approximately HK\$1.2 million over the corresponding period last year. The decrease in gross rental income was mainly due to the change of investment intention of The Rainbow as disclosed in the 2017 Annual Report of the Company.

PROVISION OF PROPERTY MANAGEMENT SERVICES

By providing property management services, the Group not only manages property assets, but also gains an opportunity to better serve tenants and end users. The Group is currently providing the management services for the owner of our completed project, The Galaxy and The Star. Revenue recognised in this business segment for the six months ended 30 June 2018 amounted to approximately HK\$0.5 million (for the six months ended 30 June 2017: approximately HK\$0.4 million), the Group expects this segment of business to be expanded as the increase of its upcoming completed projects.

MANAGEMENT DISCUSSION AND ANALYSIS

PROVISION OF FINANCE

The Group is operating in this business segment to provide credit facilities to individuals and corporations clients for development projects. Revenue generated from this business segment for the six months ended 30 June 2018 amounted to approximately HK\$0.8 million (for the six months ended 30 June 2017: HK\$0.2 million), representing an increase of approximately HK\$0.6 million over the corresponding period last year. The increase in revenue for the reporting period was mainly attributable to providing credit facilities to individuals and corporations clients for the completed projects of The Star. The Group expects this business segment will continue to grow healthily under the continuous tightening of mortgage lending policy in Hong Kong and as the increase of our forthcoming completed projects.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2018 was approximately HK\$593.0 million (31 December 2017: approximately HK\$642.0 million). As at 30 June 2018, the Group maintained bank balances and cash of approximately HK\$41.0 million (31 December 2017: approximately HK\$63.5 million). The Group's net current asset was approximately HK\$536.2 million (31 December 2017: HK\$555.8 million). The Group had current assets of approximately HK\$2,741.8 million (31 December 2017: approximately HK\$2,377.1 million). The increase of current assets was mainly due to increase in property under development and the deposit paid for purchase of Tack Lee Project as well as the new development projects as disclosed in the above segment of Property Development. The Group had current liabilities of approximately HK\$2,205.6 million (31 December 2017: approximately HK\$1,821.3 million). The increase of current liabilities was mainly due to receipts in advance from the units pre-sold of The Rainbow.

The Group generally finances its operations with internally generated cashflow and bank borrowings in Hong Kong. As at 30 June 2018, the Group had outstanding borrowings of approximately HK\$1,933.7 million (31 December 2017: approximately HK\$1,715.2 million). The borrowings as at 30 June 2018 were secured by the Group's properties, pledged bank deposits, corporate guarantee and personal guarantee from a director.

The Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as total borrowings net of cash and cash equivalents divided by total equity) increased from approximately 267.2% as at 31 December 2017 to approximately 326.1% as at 30 June 2018 and increased from approximately 257.3% as at 31 December 2017 to approximately 319.1% as at 30 June 2018 respectively. The increase of both ratios was primarily due to the increase in borrowings.

The Group's debt-to-assets ratio (defined as total borrowings net of cash and cash equivalents divided by total assets) slightly increased from approximately 67.0% as at 31 December 2017 to approximately 67.6% as at 30 June 2018.

The Group's capital commitment as at 30 June 2018 amounted to approximately HK\$826.5 million (31 December 2017: approximately HK\$128.0 million). The increase of capital commitment was mainly due to our development projects.

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 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 catering 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 22 of this Interim Report.

TREASURY MANAGEMENT

The Group's transactions and the monetary assets as well as monetary liabilities are principally denominated in Hong Kong dollars. The management of the Group is of the opinion that the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the reporting period. Therefore, the Group does not engage in any currency hedging activities.

The Group monitors cash flow forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and allow flexibility for the land and building acquisition. In order to enhance yield and reduce the liquidity risk, the Group shall make short term and high liquidity investment on the available cash with prudent approach.

PLEDGE OF ASSETS

As at 30 June 2018, the Group's investment properties and properties held for sale, as well as banks deposits with carrying value of approximately HK\$12.7 million; HK\$2,363.7 million and HK\$10.0 million respectively (31 December 2017: approximately HK\$26.3 million; HK\$2,243.1 million and HK\$10.0 million respectively) were pledged to secure the Group's banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group employed 12 employees (31 December 2017: 11) and appointed 8 Directors (31 December 2017: 8). 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.

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

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

EVENTS AFTER REPORTING PERIOD

Save for those new development projects disclosed under the segment of Property Development, as at the date of this report, the acquisition of the whole floor of a commercial building located in Shing Yip Street, Kwun Tong was completed in July 2018 and the acquisition of certain units of a residential building located in Kowloon City is still underway.

POSSIBLE RISKS AND UNCERTAINTIES

All possible risks and uncertainties listed in this report, particularly those covered in this section, refer to key possible risks and uncertainties that have been identified to exist in strategic plans, business models, external environment, and financial system. The major possible risks and uncertainties which faced by the Group are included (i) Hong Kong economic and financial conditions which may directly affect the property market; (ii) availability of suitable sites and/or existing buildings for future property development; (iii) the continuous increase of construction costs in Hong Kong; (iv) business cycle for property under development may be influenced by a number of factors, such as delays in obtaining the Hong Kong Government approvals for our property development projects, and the Group's revenue will be directly affected by the mix of properties available for sale and completion; (v) all construction works are outsourced to independent third parties that they may fail to provide satisfactory services adhering to our quality and safety standards as well as within the timeline required by the Group; (vi) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (vii) all property management services are outsourced to independent third parties that they may fail to provide satisfactory day-to-day onsite management services to users adhering to our quality and standards as required by the Group; and (viii) market risk, credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy.

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

PROSPECT

The global economies are expected to remain challenging in 2018. The depreciation of Renminbi, increasing of interest rates and government measures on property market are expected to be the key factors affect Hong Kong's economic growth. Despite these potential challenges, the Group believes that the property market in Hong Kong will remain strong in the future due to the strong demand. The strong demand for office space and a tight vacancy environment, which lead to increasing tenant decentralization, Kowloon East are expected to grow in the range of 0-5% according to the research report from Jones Lang LaSalle in first quarter of 2018, the Group is benefited from the project on hand.

On the other hand, the global economy is also going through a solid path of stabilization and growth as evidenced by the strong economic data from U.S. and Europe, the Group will diversify risk by searching a new sources of land for the development opportunities from Asia as well as Europe, which including but not limited to South Korea, Japan, Vietnam and United Kingdom.

The Group will proactively looking 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2018 of HK2.4 cents per share (for the six months ended 30 June 2017: Nil) to the shareholders' of the Company and is expected to be distributed to those entitled on 14 September 2018. A final dividend of HK5.6 cents per share was paid on 26 April 2018 in respect of the year ended 31 December 2017 (2016: HK22 cents) to shareholders during the reporting period.

Closure of Register of Members

For determining the entitlement of the interim dividend, the register of members will be closed on 10 September 2018 and no transfer of shares will be effected on this date. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrar, Tricor Investor Services Limited, of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30p.m. on 7 September 2018. The ex-dividend date for the interim dividend will be on 6 September 2018.

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 2018, 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 as contained in Appendix 10 to the Listing Rules (the "Model Code"), are set out below:

Interests of our Directors and chief executive in our Shares

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. *Star Properties Holdings (BVI) Limited is the registered or beneficial owner of these shares. Star Properties Holdings (BVI) Limited is wholly-owned by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the same parcel of shares in which Star Properties Holdings (BVI) Limited is interested.*
2. *These represent the interests of share options granted to the Directors under the share option scheme adopted by the Company on 27 June 2016 to subscribe for shares.*
3. *These percentages were compiled based on the total number of issued shares (i.e. 627,200,000 shares) at 30 June 2018.*

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 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders, other than those disclosed in the section headed "Directors' Interests in Securities", had notified the Company and the Stock Exchange of relevant interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

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. 627,200,000 shares) at 30 June 2018.*

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 our Group; (2) provide the Eligible Participants (as defined in the Prospectus dated 30 June 2016) 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 our 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 our Group. Details of the share option scheme are set out in section headed Share Option Scheme in the Prospectus dated 30 June 2016.

On 25 January 2017, the Group announced the granting of a total of 12,432,000 share options to selected employee and directors under the Share Option Scheme. The exercise price of the granted options is HK\$2.06 per share. The number of share options and exercise price were adjusted as a result of the bonus issue and open offer on 19 May 2017 and 11 September 2017 respectively. After the adjustment, the number of share options is 26,107,200 shares and the exercise price of the granted options is HK\$0.98 per share. Details of bonus issue and open offer were set out in the announcement of the Company dated 19 May 2017 and 8 September 2017 respectively.

DETAILS OF THE MOVEMENTS IN THE COMPANY'S SHARE OPTIONS DURING THE SIX MONTHS ENDED 30 JUNE 2018 ARE SET OUT BELOW:

Name or category	Date of grant of share options	Exercisable period	Exercise price of share option (adjusted) (Note 1)	Outstanding as at 1 January 2018	Granted during the six months ended 30 June 2018	Exercised during the six months ended 30 June 2018	Adjusted during the six months ended 30 June 2018	Cancelled during the six months ended 30 June 2018	Lapsed during the six months ended 30 June 2018	Outstanding at 30 June 2018	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	0.75%
Ms. Cheung Wai Shuen	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	4,704,000	-	-	-	-	-	4,704,000	0.75%
Mr. Liu Hon Wai	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	4,704,000	-	-	-	-	-	4,704,000	0.75%
Non Executive Director											
Mr. Yim Kwok Man	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	470,400	-	-	-	-	-	470,400	0.08%
Mr. Pong Kam Keung	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	470,400	-	-	-	-	-	470,400	0.08%
Independent Non Executive Director											
Mr. Shiu Siu Tao	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	470,400	-	-	-	-	-	470,400	0.08%
Mr. Chan Wah Man Camran	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	470,400	-	-	-	-	-	470,400	0.08%
Mr. Lee Chung Ming Eric	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	470,400	-	-	-	-	-	470,400	0.08%
Substantial Shareholder/contractor											
Mr. Lam Kin Kok	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	4,704,000	-	-	-	-	4,704,000	-	-
Other Employees											
Other Employees	25 January 2017	25 January 2018 to 12 July 2026	HK\$0.98	4,939,200	-	-	-	-	1,646,400	3,292,800	0.53%

Notes:

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

Save as disclosed, as at 30 June 2018, 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at 30 June 2018, 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 has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. All the directors have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2018. The Model code also applies to other specified senior management of the Group.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

Under code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, 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. Joe Chan has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our senior management. Taking into account the continuation of the implementation of our business plans, our Directors (including our independent non-executive Directors) consider Mr. Chan Man Fai Joe is 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.

To the best knowledge of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules with the exception for code provision A.2.1 as disclosed above throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive 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 2018 and agreed to the accounting principles and practices adopted by the Company.

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

Hong Kong, 17 August 2018

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 (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 14 to 48, which comprises the condensed consolidated statement of financial position as of 30 June 2018 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

17 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended	
		30.6.2018 HK\$'000 (Unaudited)	30.6.2017 HK\$'000 (Unaudited)
Revenue			
Sales of properties and provision of property management services	3A	533	594,421
Rental income from leasing of investment properties		472	1,749
Interest income from provision of finance		810	238
Total revenue		1,815	596,408
Cost of sales and services		(258)	(422,922)
Gross profit		1,557	173,486
Other income	4	14,431	1,850
Gain on change in fair value of financial assets at fair value through profit or loss		1,416	–
Gain on change in fair value of investment properties	11	670	9,348
Selling expenses		(1,776)	(29,102)
Administrative expenses		(10,902)	(38,699)
Finance costs	5	(19,935)	(1,861)
(Loss) profit before tax	6	(14,539)	115,022
Income tax expense	7	(138)	(22,797)
(Loss) profit and total comprehensive (expense) income for the period		(14,677)	92,225
(Loss) earnings per share			
– Basic (HK cents)	9	(2.34)	20.59

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Non-current Assets			
Plant and equipment	10	854	898
Investment properties	11	12,770	36,700
Loan receivables	12	36,905	48,200
Financial assets at fair value through profit or loss	13	6,604	–
Available-for-sale investments	13	–	620
		57,133	86,418
Current Assets			
Properties held for sale	14	2,365,868	2,245,263
Deposits paid for properties held for sale	15	214,487	–
Trade and other receivables	16	20,007	11,634
Contract costs		4,543	–
Financial assets at fair value through profit or loss	13	6,264	–
Stakeholder's accounts	17	65,406	46,690
Pledged bank deposits	17	10,069	10,037
Bank balances and cash	17	41,017	63,465
		2,727,661	2,377,089
Assets classified as held for sales	18	14,100	–
		2,741,761	2,377,089
Current Liabilities			
Trade and other payables	19	64,850	81,723
Contract liabilities	20	181,155	–
Tax liabilities		24,485	24,361
Borrowings	21	1,933,682	1,715,208
		2,204,172	1,821,292
Liabilities associated with assets classified as held for sales	18	1,410	–
		2,205,582	1,821,292

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Net Current Assets		536,179	555,797
Total Assets less Current Liabilities		593,312	642,215
Non-current Liability			
Deferred tax liabilities		263	249
Net Assets		593,049	641,966
Capital and Reserves			
Share capital	<i>22</i>	6,272	6,272
Reserves		586,777	635,694
Total Equity		593,049	641,966

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Shareholders' contribution HK\$'000 <i>(Note (i))</i>	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2017 (audited)	2,240	89,696	–	190,000	168,192	450,128
Profit and total comprehensive income for the period	–	–	–	–	92,225	92,225
Issue of bonus shares <i>(Note (ii))</i>	2,240	(2,240)	–	–	–	–
Recognition of equity-settled share-based payment <i>(note 23)</i>	–	–	5,775	–	–	5,775
Dividend paid <i>(note 8)</i>	–	–	–	–	(49,280)	(49,280)
At 30 June 2017 (unaudited)	4,480	87,456	5,775	190,000	211,137	498,848
At 1 January 2018 (audited)	6,272	218,425	12,543	190,000	214,726	641,966
Loss and total comprehensive expense for the period	–	–	–	–	(14,677)	(14,677)
Recognition of equity-settled share-based payment <i>(note 23)</i>	–	–	883	–	–	883
Lapsed of share options <i>(note 23)</i>	–	–	(3,269)	–	3,269	–
Dividend paid <i>(note 8)</i>	–	–	–	–	(35,123)	(35,123)
At 30 June 2018 (unaudited)	6,272	218,425	10,157	190,000	168,195	593,049

Notes:

- (i) 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.
- (ii) On 19 May 2017, 224,000,000 shares of HK\$0.01 each were issued under bonus issue on the basis of one bonus share for every one existing share. Details of the bonus issue were set out in the announcement of the Company dated 19 May 2017.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30.6.2018 HK\$'000 (Unaudited)	30.6.2017 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
(Loss) profit before tax	(14,539)	115,022
Adjustments for:		
Depreciation of plant and equipment	117	103
Equity-settled share-based payment	883	5,775
Finance costs	19,935	1,861
Interest income earned on bank balances	(319)	(113)
Interest income from provision of finance	(810)	(238)
Gain on change in fair value of financial assets at fair value through profit or loss	(1,416)	–
Gain on change in fair value of investment properties	(670)	(9,348)
Loss on write-off of plant and equipment	–	94
Operating cash flows before movements in working capital	3,181	113,156
Decrease (increase) in loan receivables	12,142	(35,915)
(Increase) decrease in trade and other receivables	(9,211)	15,690
Increase in contract costs	(4,543)	–
(Increase) decrease in properties held for sale	(110,835)	396,798
Increase in deposits paid for properties held for sale	(214,487)	(214,600)
Increase in stakeholder's account	(18,716)	(36,776)
Decrease in accruals and other payables	(16,873)	(39,480)
Increase in contract liabilities	181,155	–
Cash (used in) generated from operations	(178,187)	198,873
Interest received from provision of finance	801	194
Income tax paid	–	(544)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(177,386)	198,523

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30.6.2018 HK\$'000 (Unaudited)	30.6.2017 HK\$'000 (Unaudited)
INVESTING ACTIVITIES		
Interest received from bank balances	319	113
Purchase of plant and equipment	(73)	(1,042)
Additions to investment properties	–	(10,402)
Proceeds from disposal of investment properties	10,500	16,600
Deposits received for disposal of assets classified as held for sales	1,410	–
Purchase of financial assets at fair value through profit or loss	(21,497)	–
Proceeds from disposal of financial assets at fair value through profit or loss	10,665	–
Placement of pledged bank deposits	(32)	(10,013)
Deposits paid for acquisition of subsidiaries	–	(35,000)
Payment for acquisition of property companies	–	(305,982)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,292	(345,726)
FINANCING ACTIVITIES		
Dividend paid	(35,123)	(49,280)
Interest paid	(29,705)	(15,588)
Advance from a director	30,000	105,000
Repayment to a director	(30,000)	(105,000)
Borrowings raised	414,746	563,818
Repayment of borrowings	(196,272)	(308,968)
NET CASH FROM FINANCING ACTIVITIES	153,646	189,982
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(22,448)	42,779
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	63,465	31,809
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	41,017	74,588

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 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 (the “Listing Rules”).

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 (the “HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs and interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and Interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs and Interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments with results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

HKFRS 15 applies to the contracts with customers for the following transactions:

- Property development – sales of properties; and
- Provision of property management services.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 and HKAS 11 and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (Continued)

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

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

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

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

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

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

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

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

Revenue from provision of property management services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Incremental costs of obtaining a contract

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

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

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no material impact on the Group's retained earnings at 1 January 2018. The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 HK\$'000	Reclassification HK\$'000 (Note)	Carrying amounts under HKFRS15 at 1 January 2018* HK\$'000
Current Liabilities			
Trade and other payables	81,723	(29,083)	52,640
Contract liabilities	–	29,083	29,083
		–	

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note: As at 1 January 2018, receipts in advance from properties pre-sold of HK\$29,083,000 previously included in trade and other payables were reclassified to contract liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The application of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period. The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	Notes	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 15 HK\$'000
Current Assets				
Trade and other receivables	(a)	20,007	4,543	24,550
Contract costs	(a)	4,543	(4,543)	–
			–	
Current Liabilities				
Trade and other payables	(b)	64,849	181,155	246,004
Contract liabilities	(b)	181,155	(181,155)	–
			–	

Notes:

- (a) Previously, the Group includes prepaid sales commission and other incremental costs of containing a contract in trade and other receivables. Upon application of HKFRS 15, the Group considered that the amount should be classified as contract costs since these costs would not have incurred if the relevant contracts with customers had not been obtained.
- (b) Previously, the Group includes receipts in advance from properties pre-sold in trade and other payables. Upon application of HKFRS 15, the Group considered that the amount should be classified as contract liabilities because the Group has an obligation to transfer the properties to the buyers in accordance with the sale and purchase agreements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“FVTOCI”) or designated as FVTOCI are measured at FVTPL.

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

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and impacts thereof are detailed in note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, stakeholder's accounts, pledged bank deposits and bank balances and cash). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

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

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

Significant increase in credit risk

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 *Leases*.

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

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

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets at the date of initial application, 1 January 2018.

	Available- for-sale investments HK\$'000	Financial assets at FVTPL required by HKFRS 9 HK\$'000
Closing balance at 31 December 2017 – HKAS 39	620	–
Effect arising from initial application of HKFRS 9:		
Reclassification from available-for-sale (<i>Note</i>)	(620)	620
Opening balance at 1 January 2018	–	620

Note: At the date of initial application of HKFRS 9, the Group's unlisted participation note investments with fair value of HK\$620,000 were reclassified from available-for-sale investments to financial assets at FVTPL.

The directors considered that the measurement of ECL has no material impact to the Group's retained earnings at 1 January 2018.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of loan receivables, stakeholder's accounts, pledged bank deposits and bank balances and cash are measured on 12m ECL basis and there has been no significant increase in credit risk since initial recognition.

The directors considered that the measurement of ECL has no material impact to the Group's retained earnings at 1 January 2018.

Except as described above, the application of other amendments to HKFRSs and Interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 HK\$'000 (Audited)	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	1 January 2018 HK\$'000 (Restated)
Non-current Assets				
Plant and equipment	898	–	–	898
Investment properties	36,700	–	–	36,700
Loan receivables	48,200	–	–	48,200
Financial assets at FVTPL	–	–	620	620
Available-for-sale investments	620	–	(620)	–
	86,418	–	–	86,418
Current Assets				
Properties held for sale	2,245,263	–	–	2,245,263
Trade and other receivables	11,634	–	–	11,634
Stakeholder's accounts	46,690	–	–	46,690
Pledged bank deposits	10,037	–	–	10,037
Bank balances and cash	63,465	–	–	63,465
	2,377,089	–	–	2,377,089
Current Liabilities				
Trade and other payables	81,723	(29,083)	–	52,640
Contract liabilities	–	29,083	–	29,083
Tax liabilities	24,361	–	–	24,361
Borrowings	1,715,208	–	–	1,715,208
	1,821,292	–	–	1,821,292

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs and interpretation (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation (Continued)

	31 December 2017 HK\$'000 (Audited)	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	1 January 2018 HK\$'000 (Restated)
Net Current Assets	555,797	–	–	555,797
Total Assets less Current Liabilities	642,215	–	–	642,215
Non-current Liability				
Deferred tax liabilities	249	–	–	249
Net Assets	641,966	–	–	641,966
Capital and Reserves				
Share capital	6,272	–	–	6,272
Reserves	635,694	–	–	635,694
Total Equity	641,966	–	–	641,966

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on property development, property investment, 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	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	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 newly rebuilt industrial building	-	593,983	-	-	-	593,983
Provision of property management services						
Property management service	-	-	533	438	533	438
	-	593,983	533	438	533	594,421
Geographical markets						
Hong Kong	-	593,983	533	438	533	594,421
Timing of revenue recognition						
A point in time	-	593,983	-	-	-	593,983
Over time	-	-	533	438	533	438
	-	593,983	533	438	533	594,421

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 owner of 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	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property development	–	593,983	(5,823)	121,199
Property investment	472	1,749	(11)	6,210
Provision of property management services	533	438	277	269
Provision of finance	810	238	748	136
Segment total	1,815	596,408	(4,809)	127,814
Gain on change in fair value of financial assets at fair value through profit or loss			1,416	–
Unallocated income			33	13
Unallocated expenses			(9,969)	(12,485)
Finance costs			(1,210)	(320)
(Loss) profit before tax			(14,539)	115,022

Segment results represent the profit or loss earned by each segment without allocation of gain on change in fair value of financial assets at fair value through profit or loss, certain other income, administration 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

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Segments assets		
Property development	2,689,538	2,316,983
Property investment	13,238	71,815
Provision of property management services	519	752
Provision of finance	40,352	56,608
Total segment assets	2,743,647	2,446,158
Assets classified as held for sales	14,100	–
Unallocated assets	41,147	17,349
Consolidated total assets	2,798,894	2,463,507
Segments liabilities		
Property development	1,777,955	1,602,512
Property investment	267	305
Provision of property management services	202	156
Total segment liabilities	1,778,424	1,602,973
Liabilities associated with assets classified as held for sales	1,410	–
Unallocated liabilities	426,011	218,568
Consolidated total liabilities	2,205,845	1,821,541

4. OTHER INCOME

	Six months ended	
	30.6.2018 HK\$'000 (Unaudited)	30.6.2017 HK\$'000 (Unaudited)
Interest income earned on bank balances	319	113
Temporary rental income from properties held for sale	14,060	1,690
Others	52	47
	14,431	1,850

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Six months ended	
	30.6.2018 HK\$'000 (Unaudited)	30.6.2017 HK\$'000 (Unaudited)
Interest on:		
Borrowings	29,606	16,331
Loans from related parties	99	309
Total borrowing costs	29,705	16,640
Less: amount capitalised in cost of qualifying assets	(9,770)	(14,779)
	19,935	1,861

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

6. (LOSS) PROFIT BEFORE TAX

	Six months ended	
	30.6.2018 HK\$'000 (Unaudited)	30.6.2017 HK\$'000 (Unaudited)
(Loss) profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	2,706	23,032
Other staff costs	4,504	5,354
Total staff costs	7,210	28,386
Less: capitalised in properties held for sale and investment properties	(2,991)	(1,335)
	4,219	27,051
Cost of inventories recognised as an expense	–	417,284
Depreciation of plant and equipment	117	103
Property agency commission (included in selling expenses)	34	29,086
Loss on disposal of plant and equipment	–	94
Legal and professional fees	1,180	1,868
Gross rental income from investment properties	(472)	(1,749)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	17	841
	(455)	(908)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2018 HK\$'000 (Unaudited)	30.6.2017 HK\$'000 (Unaudited)
Hong Kong Profits Tax – current period	124	20,253
Deferred tax	14	2,544
	138	22,797

The Group is subject to 16.5% of the estimated assessable profits under Hong Kong Profits Tax.

8. DIVIDEND

During the current period, final dividend of HK5.6 cents per share in respect of the year ended 31 December 2017 (for the six months ended 30 June 2017: final dividend of HK22 cents per share in respect of the year ended 31 December 2016), totaling HK\$35,123,000 (for the six months ended 30 June 2017: HK\$49,280,000), were declared and paid.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK2.4 cents per share amounting to in aggregate HK\$15,053,000 will be paid to the owners of the Company whose names appear on the Company's register of member on 10 September 2018.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30.6.2018 HK\$'000 (Unaudited)	30.6.2017 HK\$'000 (Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share	(14,677)	92,225
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (Note (1))	627,200	448,000

Notes:

- (1) On 19 May 2017, 224,000,000 shares of HK\$0.01 each were issued under bonus issue on the basis of one bonus share for every one existing share. Details of the bonus issue were set out in the announcement of the Company dated 19 May 2017. In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2017, the 224,000,000 shares issued by way of capitalisation from reserves have been regarded as if these shares were in issue since 1 January 2017.
- (2) The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price plus unvested fair value of these options was higher than the average market price for shares for the both periods presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. MOVEMENTS IN PLANT AND EQUIPMENT

During the current period, the Group spent HK\$73,000 (for the six months ended 30 June 2017: HK\$1,042,000) on plant and equipment.

11. INVESTMENT PROPERTIES

	Completed investment properties HK\$'000
FAIR VALUE	
At 1 January 2018 (Audited)	36,700
Increase in fair value	670
Disposal	(10,500)
	26,870
Included in assets classified as held for sales (<i>note 18</i>)	(14,100)
At 30 June 2018 (Unaudited)	12,770

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.

The fair value, classified as Level 3 of the fair value hierarchy as at 30 June 2018, was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions.

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

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

These investment properties are commercial property units located in Hong Kong.

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

As at 30 June 2018, certain completed investment properties with carrying amount of HK\$14,100,000 have been classified as held for sales. Details are set out in note 18.

The Group's completed properties have been pledged to secure bank borrowings granted to the Group. Details are set out in note 21.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. LOAN RECEIVABLES

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Variable-rate loan receivables (<i>Note</i>)	39,412	51,554
Analysis as:		
Non-current portion	36,905	48,200
Current portion (<i>note 16</i>)	2,507	3,354
	39,412	51,554

Note:

As at 30 June 2018, the balances included:

- (i) loan receivables amounting to HK\$321,000 (31 December 2017: HK\$363,000), which are secured by the property units of a borrower, interest bearing at Hong Kong Prime Rate plus 2% per annum;
- (ii) loan receivables amounting to HK\$31,741,000 (31 December 2017: HK\$51,191,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong Prime Rate minus 1.75% per annum.; and
- (iii) loan receivables amounting to HK\$7,350,000 (31 December 2017: nil), which are secured by the property units of the borrowers and interest bearing at Hong Kong Prime Rate per annum.

As at 30 June 2018, the principal amounts in aggregate of HK\$25,592,000 (31 December 2017: HK\$45,084,000) are repayable by the borrowers in accordance with the agreed repayment schedules; while the other principal amounts in aggregate of HK\$13,820,000 (31 December 2017: HK\$6,470,000) will be fully repaid at the maturity dates.

Loans are provided to borrowers at a range of 60 to 70% of sale consideration of the pledged property units. The directors of the Company consider that the fair values of the collaterals are higher than the carrying amounts of loan receivables at both 30 June 2018 and 31 December 2017.

As at 30 June 2018 and 31 December 2017, 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:

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Variable-rate loan receivables		
Within one year	2,507	3,354
In more than one year but not more than two years	5,000	3,476
In more than two years but not more than five years	31,905	44,724
	39,412	51,554

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. LOAN RECEIVABLES (Continued)

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

	30.6.2018 (Unaudited)	31.12.2017 (Audited)
Effective interest rate:		
– Variable-rate loan receivables	3.50% to 7.00%	3.25% to 7.00%

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

	Notes	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Investment in unlisted fund, at fair value	(a)	5,000	–
Unlisted participation note, at fair value	(b)	1,604	620
Listed equity securities, at fair value	(c)	6,264	–
Total		12,868	620
Classified as:			
Financial assets at fair value through profit or loss			
– Non-current		6,604	–
– Current		6,264	–
		12,868	–
Available-for-sale investments			
– Non-current		–	620
		12,868	620

Notes:

- (a) In May 2018, the Group subscribed 12.50% of an unlisted private equity fund. The fair value of this unlisted fund investment is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.
- (b) As at 30 June 2018, the unlisted participation note is at a fair value of HK\$1,604,000 (31 December 2017: HK\$620,000). The Group has recognised a fair value gain of HK\$984,000 (for the six months ended 30 June 2017: nil) in respect of the change in fair value in the profit or loss. The fair value of this 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 based on the quoted bid price from active markets. The Group has recognised a fair value gain of HK\$432,000 (for the six months ended 30 June 2017: nil) in respect of the change in fair value in the profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTIES HELD FOR SALE

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
The Group's carrying amounts of properties held for sale, stated at cost, comprise:		
– Properties under development	2,350,165	2,229,560
– Completed properties	15,703	15,703
	2,365,868	2,245,263
Properties to be realised after one year	1,677,457	1,652,760

The properties under development are situated in Hong Kong.

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

The Group's properties held for sale have been pledged to secure bank borrowings granted to the Group. Details are set out in note 21.

15. DEPOSITS PAID FOR PROPERTIES HELD FOR SALE

As at 30 June 2018, the carrying amount includes:

- a) Deposits of HK\$27,000,000 and stamp duty of HK\$22,391,000 prepaid for the acquisition of an industrial building located at Tung Chau Street, Kowloon, Hong Kong. The remaining considerations of HK\$243,000,000 were payable upon the completion of the transaction. Such acquisition has been completed after the end of the reporting period;
- b) Deposits of HK\$37,308,000 and stamp duty of HK\$7,928,000 prepaid for the acquisition of 7 workshop units located at Shing Yip Street, Kowloon, Hong Kong. The remaining considerations of HK\$149,230,000 were payable upon the completion of the transaction. Such acquisition has been completed after the end of the reporting period; and
- c) Deposits of HK\$33,190,000 and stamp duty of HK\$86,670,000 prepaid for the acquisition of 21 car parking spaces and 17 residential property units located at Grampian Road, Kowloon City, Kowloon, Hong Kong. The remaining considerations of HK\$298,710,000 were payable upon the completion of the transaction. Such acquisition has not been completed up to the date of this report.

The directors of the Company intended to acquire these properties with a view to sale. Therefore, these deposits are classified as current assets as at 30 June 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Trade receivables for rental income	12,973	5,200
Loan receivables (<i>note 12</i>)	2,507	3,354
Loan interest receivable	54	45
Deposits and other receivables	3,382	2,776
Prepayments	1,091	259
	20,007	11,634

No credit term is allowed for trade receivables.

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

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
0 to 30 days	2,814	2,787
31 to 60 days	10,159	2,413
	12,973	5,200

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

17. STAKEHOLDER'S ACCOUNTS/PLEGDED 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 0.93% (31 December 2017: 0.001% to 0.65%) per annum.

Pledged bank deposits represent bank deposits pledged to a bank for securing banking facilities grant to the Group set out in note 21.

The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. ASSETS CLASSIFIED AS HELD FOR SALES/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALES

On 18 May 2018, the Group has signed a sale and purchase agreement with an independent third party (the "Purchaser") to sell 12 car parking spaces in a newly rebuilt industrial building at a total consideration of HK\$14,100,000. These car parking spaces were previously held under operating leases to earn rentals and for capital appreciation purposes and were classified and accounted for as investment properties using the fair value model.

The transaction is expected to be completed within twelve months from the end of the reporting period. Accordingly, these car parking spaces with a fair value of HK\$14,100,000 have been reclassified as assets held for sales while the deposits of HK\$1,410,000 received from the Purchaser has been classified as liabilities associated with assets classified as held for sales. These assets and liabilities are presented separately in the condensed consolidated statement of financial position as at 30 June 2018.

The above disposal transaction has been completed subsequent to the end of the reporting period.

19. TRADE AND OTHER PAYABLES

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Construction payables (<i>Note (1)</i>)	3,796	–
Retention payables (<i>Note (2)</i>)	13,086	5,073
Other payables, deposits received and accruals		
– Receipts in advance from properties pre-sold	–	29,083
– Rental deposits received	6,871	7,096
– Accrued construction costs	31,520	32,799
– Accrued staff costs	–	497
– Accrued interest	1,430	1,738
– Accrued agency commission	77	147
– Others	8,070	5,290
	64,850	81,723

Notes:

- (1) No credit term is allowed for construction payables. The Group's construction payables based on invoice dates as at 30 June 2018 all fell within the aging of 1 to 30 days.
- (2) As at 30 June 2018, retention payables amounting to HK\$4,978,000 (31 December 2017: HK\$4,978,000) is aged within one year while the remaining amount of HK\$8,108,000 (31 December 2017: HK\$95,000) is aged one to two years. All retention payables as at 30 June 2018 and 31 December 2017 are expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. CONTRACT LIABILITIES

As at 30 June 2018, the Group has received deposits amounting to HK\$181,155,000 in respect of the pre-sale of 98 workshop units in a revitalised industrial building. These workshops are yet to be delivered to the buyers up to the date of this report. The contract liabilities will be recognised as revenue under sales of properties when the controls of the workshop units are transferred to the purchasers.

The movements in contract liabilities in the current period are as follows:

	HK\$'000
At 1 January 2018	29,083
Receipts in advance from properties pre-sold	152,072
At 30 June 2018	181,155

21. BORROWINGS

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Bank borrowings	1,933,682	1,645,208
Loan from a financial institution	–	70,000
	1,933,682	1,715,208

All bank borrowings are pledged by the following properties of the Group:

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Properties held for sale		
– completed, at cost	13,539	13,539
– under development for sales, at cost	2,350,166	2,229,561
	2,363,705	2,243,100
Investment properties		
– completed, at fair value	12,650	26,260
Pledged bank deposits	10,069	10,037
	2,386,424	2,279,397

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. SHARE CAPITAL

The details of the share capital of the Company are as follows:

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2018 and 30 June 2018	1,000,000,000	10,000,000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018	627,200,000	6,272,000

23. SHARE-BASED PAYMENT TRANSACTIONS

The Group adopted a share option scheme on 27 June 2016 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide any directors, full-time employees of any member of the Group and other eligible participants who have contributed or will contribute to the Group ("Participants") with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit the Company with a flexible means of 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 Participants to take up options at a price determined by the Board of Directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made by the Company to the grantee (the date must be a business day, "Offer Date"); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

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

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

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

On 25 January 2017, 12,432,000 share options with exercise price of HK\$2.06 per share 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 issued in May 2017 and open offer of shares in September 2017, the number and exercise price of the share options are adjusted to 26,107,200 share options and HK\$0.98 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Details of specific categories of options are as follows:

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

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

Option type	Outstanding at 1.1.2018	Granted during the period	Lapsed during the period (Note)	Outstanding at 30.6.2018
Directors	16,464,000	–	–	16,464,000
Employee	4,939,200	–	(1,646,400)	3,292,800
Other	4,704,000	–	(4,704,000)	–
	26,107,200	–	(6,350,400)	19,756,800

Note: During the current period, 4,704,000 share options for substantial shareholder/contractor and 1,646,400 share options for certain full-time employees are lapsed after their vesting date upon their resignation.

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

The assumptions used to calculate the fair values of these share options have been disclosed in 2017 annual report.

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 current period, the Group recognised HK\$883,000 (for the six months ended 30 June 2017: HK\$5,775,000) in relation to share options granted by the Company. In addition, 6,350,400 share options are lapsed during the six months ended 30 June 2018 and the relevant share options reserve previously recognised of HK\$3,269,000 are transferred to retained earnings accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Within one year		
– A residential unit from a related company	907	1,800
– Office units from related companies	53	106
– An office unit from a third party	464	1,012
– A motor vehicle from a related company	60	60
	1,484	2,978
In the second to fifth year inclusive		
– A motor vehicle from a related company	15	45
Total	1,499	3,023

The leases are generally negotiated for a lease term of two years of fixed rentals (31 December 2017: two years).

The Group as lessor

Property rental income earned from investment properties and properties held for sale were aggregated to HK\$14,532,000 (for the six months ended 30 June 2017: HK\$3,439,000). The properties are expected to generate rental yields of 1% on an ongoing basis. Properties held have committed tenants for the next one to three years.

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

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Within one year	27,039	342
In the second to fifth year inclusive	3,997	–
	31,036	342

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. CAPITAL COMMITMENTS

	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Capital expenditure in respect of the properties development project contracted for but not provided in the condensed consolidated financial statements	135,560	128,005
Capital commitment in respect of acquisition of properties (Note)	690,940	–
	826,500	128,005

Note: During the current period, the Group has entered into certain sale and purchase agreements to acquire an industrial building, certain car parking spaces, workshop units and residential units in Hong Kong. The total consideration for these transactions is amounting to HK\$788,438,000. As at 30 June 2018, the Group has paid deposits of HK\$97,498,000 for these acquisitions (see note 15 for details).

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. Details of recurring fair value measurement of these assets are set out in note 13.

Reconciliation of Level 3 fair value measurement of financial assets are as follows:

	Investment in unlisted fund HK\$'000	Unlisted participation note HK\$'000
At 1 January 2018 (Audited)	–	620
Total gain in profit or loss	–	984
Purchases	5,000	–
At 30 June 2018 (Unaudited)	5,000	1,604

There is no transfers into Level 3 during the six months ended 30 June 2018.

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

Fair value measurements and valuation processes

In determining the fair value of an asset, the Board of Directors of the Company has set up a valuation team, which is headed up by an executive director of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. The valuation team's findings are reported to the Board of Directors of the Company every half year to explain the cause of fluctuations in the fair value of the asset.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27. RELATED PARTY DISCLOSURES

(i) Transactions

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

Name of related parties	Nature of transaction	Six months ended	
		30.6.2018 HK\$'000 (Unaudited)	30.6.2017 HK\$'000 (Unaudited)
Sunny Generation Limited ("Sunny Generation")	Rental expenses (<i>Note (a)</i>)	–	174
Mr. Chan Man Fai Joe (<i>director</i>)	Finance cost (<i>Note (b)</i>)	99	309
Mr. Liu Hon Wai (<i>director</i>)	Sales commission (<i>Note (c)</i>)	–	1,663
Vogue City Limited ("Vogue City")	Motor vehicle expenses (<i>Note (d)</i>)	30	–
Vogue Town Limited ("Vogue Town")	Rental of a director's quarter (<i>Note (e)</i>)	900	900
Metropolitan Fine Wine Limited ("Metropolitan Wine")	Entertainment expense (<i>Note (f)</i>)	93	9
Metropolitan Lifestyle. (H.K.) Limited ("Metropolitan Lifestyle")	Motor vehicle expenses (<i>Note (d)</i>)	–	30
Metropolitan Production Limited ("Metropolitan Production")	Advertising expenses (<i>Note (g)</i>)	1,870	–
Metropolitan Workshop Limited ("Metropolitan Workshop")	Rental expenses (<i>Note (a)</i>)	649	–

Notes:

- (a) Rental expenses charged by Sunny Generation and Metropolitan Workshop were based on office areas occupied by the Group and at a rent agreed by both parties.
- (b) The loans from director carried interest at 3.5% (for the six months ended 30 June 2017: 2.9%) per annum. The loan amounting to HK\$30,000,000 (for the six months ended 30 June 2017: HK\$105,000,000) was received and repaid to the director during the period.
- (c) The sales commission is determined based on the agreed terms as set out in the letter of employment.
- (d) Motor vehicle expenses represented the leasing of motor vehicles from Vogue City and Metropolitan Lifestyle 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) Entertainment expense represented providing of wines from Metropolitan Wine at a price agreed by both parties.
- (g) Advertising expenses represented service fees charged by Metropolitan Production at a price agreed by both parties.

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

(ii) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group. Their emoluments are disclosed in note 7.

(iii) Personal guarantee

Loan from a financial institution of HK\$70,000,000 as at 31 December 2017 was secured by personal guarantee provided by Mr. Chan Man Fai, Joe, the chairman and an executive director of the Company. The loan was settled during the current period.