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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1560)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue and profit for the year ended 31 December 2018 approximately HK$671.7 million (2017: approximately HK$732.4 million) and approximately HK$191.8 million (2017: approximately HK$95.8 million) respectively.

- The basic and diluted earnings per share for the year ended 31 December 2018 were approximately HK30.6 cents and HK30.6 cents, respectively, as compared to basic and diluted earnings per share of approximately HK18.9 cents and HK18.9 cents, respectively, for the corresponding period last year.

- Proposed final dividend in respect of the year ended 31 December 2018 of HK15.5 cents per ordinary share.

The board of directors (the "**Director(s)**") (the "**Board**") of Star Properties Group (Cayman Islands) Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*3*		
Sales of properties and provision of property management services		**668,212**	729,215
Rental income from leasing of investment properties		**735**	2,029
Interest income from provision of finance		**2,720**	1,146
Total revenue		**671,667**	732,390
Cost of sales and services		**(309,459)**	(519,390)
Gross profit		**362,208**	213,000
Other income	*5*	**33,217**	15,046
Gain on change in fair value of investment properties		**1,370**	10,569
Gain on change in fair value of financial assets at fair value through profit or loss		**431**	—
Gain on disposal of a subsidiary		**—**	1,508
Impairment loss recognised on lease receivables		**(18,765)**	—
Selling expenses		**(27,324)**	(32,329)
Administrative expenses		**(65,019)**	(64,912)
Finance costs	*6*	**(44,542)**	(20,621)
Profit before tax	*7*	**241,576**	122,261
Income tax expense	*9*	**(49,749)**	(26,447)
Profit for the year		**191,827**	95,814

	NOTE	**2018** *HK$'000*	2017 *HK$'000*
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operation		**(235)**	—
Total comprehensive income for the year		**191,592**	95,814
Profit for the year attributable to:			
Owners of the Company		**191,811**	95,814
Non-controlling interests		**16**	—
		191,827	95,814
Total comprehensive income attributable to:			
Owners of the Company		**191,588**	95,814
Non-controlling interests		**4**	—
		191,592	95,814
Earnings per share (in HK cents)			
Basic	*10*	**30.6**	18.9
Diluted	*10*	**30.6**	18.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current Assets			
Plant and equipment		**475**	898
Investment properties		**13,470**	36,700
Loan receivables	*11*	**199,260**	48,200
Financial assets at fair value through profit or loss		**6,412**	—
Available-for-sale investment		**—**	620
		219,617	86,418
Current Assets			
Properties held for sale		**2,906,848**	2,245,263
Trade and other receivables	*12*	**25,959**	11,634
Contract costs		**301**	—
Financial assets at fair value through profit or loss		**204**	—
Stakeholder's accounts		**38,877**	46,690
Pledged bank deposits		**10,115**	10,037
Bank balances and cash		**121,369**	63,465
		3,103,673	2,377,089
Current Liabilities			
Trade and other payables	*13*	**91,430**	81,723
Contract liabilities		**692**	—
Tax liabilities		**73,813**	24,361
Borrowings	*14*	**2,364,437**	1,715,208
		2,530,372	1,821,292
Net Current Assets		**573,301**	555,797
Total Assets less Current Liabilities		**792,918**	642,215

	NOTE	2018 HK$'000	2017 HK$'000
Non-current Liability			
Deferred tax liabilities	*15*	**305**	249
Net Assets		**792,613**	641,966
Capital and Reserves			
Share capital		**6,272**	6,272
Reserves		**784,587**	635,694
Equity attributable to owners of the Company		**790,859**	641,966
Non-controlling interests		**1,754**	—
Total Equity		**792,613**	641,966

NOTES

1. GENERAL

Star Properties Group (Cayman Island) Limited (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's immediate and ultimate holding company is Star Properties Holdings (BVI) Limited, a company incorporated in the British Virgin Islands, and its ultimate controlling party is Mr. Chan Man Fai Joe, who is the chairman of the Board of Directors and an executive director of the Company. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1–1108, Cayman Islands. The address of its principal place of business is 11/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 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

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

2.1 HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

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

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. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following sources which arise from contracts with customers:

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

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 will be disclosed in the consolidated financial statements of the Group.

Summary of effects arising from initial application of HKFRS 15

The application on 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 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	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
		(Note)	
Current Liabilities			
Trade and other payables	81,723	(29,083)	52,640
Contract liabilities	—	29,083	29,083

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.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported *HK$'000*	**Adjustments** *HK$'000*	**Amounts without application of HKFRS 15** *HK$'000*
Current Assets			
Trade and other receivables	25,959	301	26,260
Contract costs	301	(301)	—
Current Liabilities			
Trade and other payables	91,430	692	92,122
Contract liabilities	692	(692)	—

2.2 *HKFRS 9 Financial Instruments ("HKFRS 9")*

In the current year, the Group has applied HKFRS 9 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 lease receivables 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 under ECL model) 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* ("**HKAS 39**").

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale ("AFS") investment *HK$'000*	**Financial assets at fair value through profit or loss ("FVTPL") required by HKFRS 9** *HK$'000*
Closing balance at 31 December 2017 — HKAS 39	620	—
Effect arising from initial application of HKFRS 9: Reclassification from available-for-sale investment *(Note)*	(620)	620
Opening balance at 1 January 2018	—	620

Note: The Group's unlisted investments in participation note with a fair value of HK$620,000 were reclassified from AFS investment to financial assets at FVTPL. As the management considered the cash flows from these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding, accordingly classified as financial assets at FVTPL.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables from property management service and lease reveivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

ECL for other financial assets at amortised cost, including loan receivables, loan interest receivables, other receivables, stakeholder's accounts, pledged bank deposits and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had 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.

2.3 *Impacts on opening consolidated statement of financial position arising from the application of all new standards*

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the individual line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (audited)	HKFRS 15	HKFRS 9	1 January 2018 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current Assets				
Financial assets at FVTPL	—	—	620	620
AFS investment	620	—	(620)	—
Current Liabilities				
Trade and other payables	81,723	(29,083)	—	52,640
Contract liabilities	—	29,083	—	29,083

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

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

HKFRS 16 Leases ("HKFRS 16")

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

Other than certain requirements which are also applicable to lessors, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$1,980,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$650,000 and refundable rental deposits received of HK$8,650,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	Property development		Provision of property management services		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales of properties						
Workshop units in a revitalised industrial building	**653,056**	—	**—**	—	**653,056**	—
Workshop units in a newly rebuilt industrial building	**14,100**	728,199	**—**	—	**14,100**	728,199
Provision of property management services						
Property management services	**—**	—	**1,056**	1,016	**1,056**	1,016
Total	**667,156**	728,199	**1,056**	1,016	**668,212**	729,215
Geographical markets						
Hong Kong	**667,156**	728,199	**1,056**	1,016	**668,212**	729,215
Timing of revenue recognition						
A point in time	**667,156**	728,199	**—**	—	**667,156**	728,199
Over time	**—**	—	**1,056**	1,016	**1,056**	1,016
Total	**667,156**	728,199	**1,056**	1,016	**668,212**	729,215

(ii) Performance obligations for contracts with customers

a) Property development — sales of properties

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

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

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

b) Provision of property management services

Revenue from provision of property management services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these property management services based on monthly statement issued by the Group's management agent using output method.

The monthly statement issued by the Group's management agent include the management income and management expenditure relating to respective properties, accordingly the Group recognises management fee that based on the monthly statement upon the management services rendered by the Group's management agent each month.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

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

4. OPERATING SEGMENTS

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

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

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

Segment revenue and results

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

	Segment revenue		Segment results	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**667,156**	728,199	**267,201**	138,477
Property investment	**735**	2,029	**843**	5,014
Provision of property management services	**1,056**	1,016	**549**	603
Provision of finance	**2,720**	1,146	**1,311**	939
	671,667	732,390	**269,904**	145,033
Unallocated income			**471**	37
Unallocated expenses			**(26,967)**	(23,473)
Gain on disposal of a subsidiary			**—**	1,508
Finance costs			**(1,832)**	(844)
Profit before tax			**241,576**	122,261

Segment results represent the profit earned by each segment without allocation of gain on disposal of a subsidiary, certain other income, certain administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2018	2017
	HK$'000	*HK$'000*
Segment assets		
Property development	**2,977,764**	2,316,983
Property investment	**13,864**	71,815
Provision of property management services	**801**	752
Provision of finance	**221,462**	56,608
Total segment assets	**3,213,891**	2,446,158
Unallocated assets	**109,399**	17,349
Consolidated total assets	**3,323,290**	2,463,507
Segment liabilities		
Property development	**2,345,678**	1,602,512
Property investment	**308**	305
Provision of property management services	**247**	156
Provision of finance	**132,522**	—
Total segment liabilities	**2,478,755**	1,602,973
Unallocated liabilities	**51,922**	218,568
Consolidated total liabilities	**2,530,677**	1,821,541

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

— all assets are allocated to operating segments other than financial assets at FVTPL, AFS investment, certain pledged bank deposits, bank balances and cash and other corporate assets not attributable to the reportable segments; and

— all liabilities are allocated to operating segments other than certain borrowings and other corporate liabilities not attributable to the reportable segments.

Other segment information

For the year ended 31 December 2018

	Property development *HK$'000*	Property investment *HK$'000*	Provision of property management services *HK$'000*	Provision of finance *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment results or segment assets:							
Addition to non-current assets	—	—	—	50	50	384	434
Depreciation	—	—	—	4	4	218	222
Gain on change in fair value of investment properties	—	1,370	—	—	1,370	—	1,370
Interest expense	42,710	—	—	—	42,710	1,832	44,542
Impairment loss recognised on lease receivables	—	18,765	—	—	18,765	—	18,765
Loss on disposal of plant and equipment	—	—	—	—	—	635	635
Amounts regularly provided to the CODM but not included in the measure of segment results:							
Interest income earned on bank balances	138	78	74	318	608	128	736
Income tax expense	49,340	126	91	192	49,749	—	49,749

For the year ended 31 December 2017

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

Geographical information

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

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets (excluding financial instruments) are all located in Hong Kong by location of assets.

Information about major customers

For the years ended 31 December 2018 and 2017, the Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's total revenue.

5. OTHER INCOME

	2018 *HK$'000*	2017 *HK$'000*
Interest income earned on bank balances	**736**	290
Forfeiture of deposits from tenants and property purchasers	**7,247**	451
Temporary rental income from properties held for sale	**23,876**	14,252
Exchange gains, net	**845**	—
Others	**513**	53
	33,217	15,046

6. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interest on:		
Borrowings	**72,384**	39,646
Loan from a director	**99**	309
Total borrowing costs	**72,483**	39,955
Less: amount capitalised in cost of qualifying assets	**(27,941)**	(19,334)
	44,542	20,621

Borrowing costs capitalised at rate ranging from 3.06% to 3.31% (2017: 3.06% to 3.31%) per annum during the year arose on the specific borrowings for the expenditure on each property development.

7. PROFIT BEFORE TAX

	2018	2017
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**31,942**	34,098
Other staff costs, excluding directors' emoluments:		
Salaries and other allowances	**15,641**	8,566
Retirement benefit scheme contributions	**266**	134
Equity-settled share-based payment	**2,419**	2,373
Total staff costs	**50,268**	45,171
Less: capitalised in properties held for sale	**(9,476)**	(3,653)
	40,792	41,518
Auditors' remuneration	**990**	1,010
Cost of inventories recognised as an expense	**308,958**	517,729
Depreciation of plant and equipment	**222**	215
Direct operating expenses incurred for provision of property management services (included in cost of sales and services)	**483**	390
Property agency commission (included in selling expenses)	**24,594**	31,270
Legal and professional fees	**5,227**	5,427
Loss on disposal of plant and equipment	**635**	99
Gross rental income from investment properties	**(735)**	(2,029)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	**18**	1,271
	(717)	(758)

8. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 Interim — HK2.4 cents (2017: nil) per share	**15,053**	—
2017 Final — HK5.6 cent (2017: 2016 final dividend of HK22 cents) per share	**35,123**	49,280
	50,176	49,280

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK15.5 cents per ordinary share, in an aggregate amount of approximately HK$97,764,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
— Current tax	**49,693**	25,676
Deferred taxation *(note 11)*	**56**	771
	49,749	26,447

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

10. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**191,811**	95,814
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note 1)*	**627,200**	505,933
Effect of dilutive potential ordinary shares:		
Outstanding share options issued by the Company *(Note 2)*	**94**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**627,294**	505,933

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. In determining the weighted average number of ordinary shares in issue for the year ended 31 December 2017, the 224,000,000 shares issued by way of capitalisation from reserves have been regarded as if these shares were in issue since 1 January 2017.

(2) The computation of diluted earnings per share during the year ended 31 December 2018 does not assume the exercise of the Company's certain share options because the exercise price plus unvested fair value of those options was higher than the average market price for shares for the year ended 31 December 2018 presented while the computation of diluted earnings per share during the year ended 31 December 2017 did not assume the exercise of all of the Company's share options because the exercise price plus unvested fair value of those options was higher than the average market price for shares for the year ended 31 December 2017.

11. LOAN RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Variable-rate loan receivables *(Note)*	**217,880**	51,554
Analysis as:		
— Non-current portion	**199,260**	48,200
— Current portion *(note 12)*	**18,620**	3,354
Total	**217,880**	51,554

Notes:

As at 31 December 2018, the balance included:

(i) loan receivables amounting to HK$277,000 (2017: HK$363,000), which are secured by the property units of a borrower, interest bearing at Hong Kong prime rate plus quoted by the lending bank 2% per annum. The principal amounts started to be repaid in November 2016 in accordance with the repayment schedules;

(ii) loan receivables amounting to HK$7,350,000 (2017: nil), which are secured by the property units of a borrower, interest bearing at Hong Kong prime rate quoted by the lending bank per annum. The principal amounts will be fully repaid at the respective maturity dates; and

(iii) loan receivables amounting to HK$210,253,000 (2017: HK$51,191,000), which are secured by the property units of the borrowers and interest bearing at Hong Kong prime rate quoted by the lending bank minus 1.75% per annum. The principal amounts will be fully repaid at the respective maturity dates.

Loans are provided to borrowers at a range of 60% to 80% (2017: 70% to 80%) of sale consideration of the pledged property units. The directors of the Company consider that the fair values of the collaterals are higher than the carrying amount of loan receivables as at 31 December 2018 and 2017.

As at 31 December 2018 and 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:

	2018	2017
	HK$'000	*HK$'000*
Variable-rate loan receivables:		
Within one year	**18,620**	3,354
In more than one year but not more than two years	**18,267**	3,476
In more than two years but not more than five years	**180,993**	44,724
	217,880	51,554

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

	2018	2017
Effective interest rate:		
— Variable-rate loan receivables	**3.5% to 7.125%**	3.25% to 7%

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables from property management services	**259**	—
Lease receivables	**18,987**	5,200
	19,246	5,200
Less: Allowance for credit losses *(Note)*	**(18,765)**	—
	481	5,200
Deposits and other receivables and prepayments		
— Loan receivables *(note 11)*	**18,620**	3,354
— Loan interest receivables	**358**	45
— Rental deposits and other receivables	**5,015**	2,776
— Prepayments	**1,475**	259
	25,478	6,434
	25,959	11,634

Note: As at 31 December 2018, the allowance for credit losses is related to an individually impaired lease receivable of a single customer amounting to HK$18,765,000 (2017: nil) that default its payment. The management considers that such lease receivable is not recoverable since the customer is in severe financial difficulties. As a consequence, allowance for credit losses of HK$18,765,000 (2017: nil) has been recognised in respect of such lease receivable.

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

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

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**481**	2,787
31–90 days	**—**	2,413
	481	5,200

All of the Group's trade receivables from property management services and lease receivables are past due at the end of both reporting periods. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Retention payables *(Note)*	**14,785**	5,073
Other payables, deposits received and accruals		
— Receipts in advance from properties pre-sold	**—**	29,083
— Rental deposits received	**8,650**	7,096
— Accrued construction costs	**52,136**	32,799
— Accrued staff costs	**—**	497
— Accrued interest	**2,289**	1,738
— Accrued agency commission	**1,346**	147
— Accrued management fee	**5,689**	2,088
— Accrued legal and professional fee	**4,236**	1,662
— Others	**2,299**	1,540
	91,430	81,723

Note:

As at 31 December 2018, retention payables amounting to HK$12,344,000 (2017: HK$4,978,000) is aged within one year while the remaining amount of HK$2,441,000 (2017: HK$95,000) is aged one to two years. All retention payables as at 31 December 2018 and 2017 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

14. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank borrowings	**2,364,437**	1,645,208
Loan from a financial institution	**—**	70,000
	2,364,437	1,715,208
Scheduled payment terms of borrowings contain a repayment on demand clause (shown under current liabilities):		
— Within one year	**1,123,291**	1,015,734
— In more than one year but not more than two years	**802,484**	405,474
— In more than two years but not more than five years	**438,662**	294,000
Total	**2,364,437**	1,715,208

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

	2018	2017
	HK$'000	*HK$'000*
Variable-rate borrowings:		
Within one year	**1,025,186**	945,734
In more than one year but not more than two years	**802,484**	405,474
In more than two years but not more than five years	**438,662**	294,000
	2,266,332	1,645,208
Fixed-rate borrowings:		
Within one year	**98,105**	70,000
	2,364,437	1,715,208

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

	2018	2017
Effective interest rates:		
— Fixed-rate borrowings	**3.5%**	10%
— Variable-rate borrowings	**2.3%-4.15%**	1.6%-4.3%

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

	2018	2017
	HK$'000	*HK$'000*
Properties held for sale		
— Completed, at cost	**499,311**	13,540
— Under development for sales, at cost	**2,405,336**	2,229,560
	2,904,647	2,243,100
Investment properties		
— Completed, at fair value	**13,470**	26,260
Pledged bank deposits	**10,115**	10,037
Total	**2,928,232**	2,279,397

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

Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain financial ratios of the Group, total equity and the amount of capital expenditure incurred, as are commonly found in lending arrangements with a financial institution. If the Group were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants.

As at 31 December 2018 and 2017, none of the bank covenants relating to drawn down facilities had been breached.

15. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
As at 1 January 2017	529	(1,051)	(522)
(Credited) charged to profit or loss	(280)	1,051	771
As at 31 December 2017	249	—	249
Charged to profit or loss	56	—	56
As at 31 December 2018	305	—	305

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULT

For the financial year ended 31 December 2018, the Group's revenue and profit attributable to owners of the Company amounted to approximately HK$671.7 million (2017: approximately HK$732.4 million) and approximately HK$191.8 million (2017: approximately HK$95.8 million) respectively.

DIVIDENDS

The board of directors (the "**Director(s)**") of the Company (the "**Board**") does recommend the payment of final dividend of HK15.5 cents per ordinary share for the year ended 31 December 2018 (2017: HK5.6 cents) which is subject to the approval by the shareholders of the Company at the Annual General Meeting, to be held on or around Friday, 12 April 2019, and is expected to be distributed to those entitled around end of April 2019.

BUSINESS REVIEW

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

The Group's revenue for the year ended 31 December 2018 amounted to approximately HK$671.7 million (2017: approximately HK$732.4 million), which represented a decrease of approximately HK$60.7 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2018 was approximately HK$191.8 million (2017: approximately HK$95.8 million), which represented an increase of approximately HK$96.0 million from last year. The decrease in revenue was mainly due to revenue recognition for the completion and delivery of only first phase sold units from property development project "The Rainbow" to the buyers during the year. The notable increase in the gross profit was mainly due to profit recognition of "The Rainbow" and we were benefited from the Revitalisation Measures, a special waiver was granted by the Lands Department to change the land use from industrial to commercial and thus, the profit margin is of this project increased. The basic and diluted earnings per share for the period was approximately HK30.6 cents as compared to basic and diluted earnings per share of approximately HK18.9 cents for the corresponding period last year. The review of the individual business segment of the Group is set out below.

PROPERTY DEVELOPMENT

Revenue recognised in this business segment during the year amounted to approximately HK$667.2 million (2017: approximately HK$728.2 million). As at 31 December 2018, the Group had three completed projects, namely, (a) The Galaxy; (b) The Star and (c) The Rainbow; and five projects under development, namely, (d) the CWK Project; (e) Yuen Long site; (f) Kwun Tong site; (g) Tack Lee Project and (h) Seongsu Project. A general summary and update of the property development projects of the Group during the reporting year and as at 31 December 2018 are listed below:

(a) The Galaxy: Completion and delivery of 8 car parking spaces amounted to HK$10.5 million in the year ended 31 December 2018. (2017: Completion and delivery of 3 workshops amounted to HK$14 million). The Group has entered into 2 provisional purchase and sales agreements in December 2018 in respect of two car parking spaces and expects to be completed in February 2019.

(b) The Star: Completion and delivery of 12 car parking spaces on ground floor amounted to HK$14.1 million in the year ended 31 December 2018. (2017: approximately HK$714.2 million for the completion and delivery of 282 units). All units of The Star, except 2 units on ground floor and 7 car parking spaces on first floor, have been sold out and delivered.

(c) The Rainbow: The first phase of alternations and additions works were completed in the year of 2018 and the remaining work is expected to be completed in the first quarter of 2019. Completion and delivery of 108 units amounted to approximately HK$653.1 million for the year of 2018 and was recognized in this current period (2017: nil).

(d) CWK Project: The Group has planned to redevelop the property into a commercial building for general retail and office use. The foundation work was commenced in the second quarter of 2018 and the Group expects the project will be completed in 2021.

(e) Yuen Long Site Project: The Group intends to redevelop it into a residential complex with some shops on ground floor. This project is positioned as a luxury and stylish condominium residential complex targeting at young residents pursuing high quality and design driven lifestyle. The Group is in the progress to submit town planning application to the Town Planning Board, building plans to the Buildings Department and lease modification application to the Lands Department of the Hong Kong Special Administrative Region. The Group has already completed the hoarding work and demolition work. Foundation work for the new redevelopment was started at the end of 2018.

(f) Kwun Tong Site Project: The Group intends to redevelop it into a high end prestigious commercial building. The tenant has been moved out in December 2018 to pave its way for the commencement of redevelopment work. The Group has submitted lease modification to the Lands Department in the fourth quarter of 2017. Hoarding plans and demolition plans have already been approved by the Buildings Department of the Hong Kong Special Administrative Region.

(g) Tack Lee Project: The Group acquired the site in the middle of 2018, and intended to carry out alteration and additions work to upgrade the industrial building. Up to the end of 2018, there is still one tenant residing in the site. In light of the new initiatives of the revitalization of industrial building announced in the Policy Address by the Chief Executive in the fourth quarter of 2018, the Group is exploring the redevelopment option to demolish and reconstruct a new building at the site.

(h) Seongsu Project: The Group acquired a site in Seongsu area of Seoul, South Korea in December 2018 and intends to redevelop the existing two storey building into a high end prestigious commercial building. In the past few years, Seongsu area has been rapidly transformed from an industrial district comprised of old factories and warehouses into a commercial district that attracted the young generation and entrepreneurs. The building was acquired together with one existing tenant and the Group is soliciting the tenant to have an early termination of the tenancy agreement. Upon the completion of the property redevelopment work, the Group intends to sell out the whole building to generate revenue.

The Group has acquired a whole floor of a commercial building located at Shing Yip Street, Kwun Tong in 2018 through a company incorporated in Hong Kong and a wholly-owned subsidiary of the Group as the purchaser. The property is currently under renovation and is regarded as properties held for sale. Part of the property would be used as the principal office of the Group.

The Group has entered into a sale and purchase agreement to acquire another site at Seongsu area of Seoul, South Korea in January 2019 and expected to complete the acquisition in 1st half of 2019.

In the year of 2018, the Group has taken a significant step to expand its geographical exposure to a new property market, Seoul in South Korea market. The Group will continue to pay ongoing attention to the latest property market in Hong Kong and worldwide to source for the best development opportunities to replenish its land reserve. The Group is committed to build up a brand as a property developer that delivers high quality buildings with modern and stylish design to customers.

PROPERTY INVESTMENT

As at 31 December 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$13.5 million (31 December 2017: approximately HK$36.7 million). Revenue recognised in this business segment during the year amounted to approximately HK$0.7 million (2017: approximately HK$2.0 million), representing a decrease of approximately HK$1.3 million over last year. The decrease in gross rental income was mainly due to vacant The Rainbow for property development after changing the said investment intention.

PROVISION OF PROPERTY MANAGEMENT SERVICE

Currently, the Group is operating in the business segment of property management to provide the property management services for our three completed projects, The Galaxy, The Star and The Rainbow. Revenue recognised in this business segment during the year amounted to approximately HK$1.0 million (31 December 2017: approximately HK$1.0 million), the Group expects this segment of business to be expanded as the increase of its upcoming completed projects.

PROVISION OF FINANCE

The Group is operating in this business segment to provide credit facilities to individuals and corporations clients for its own development projects. Revenue generated from this business segment during this year amounted to approximately HK$2.7 million (2017: HK$1.1 million), representing an increase of approximately HK$1.6 million over the corresponding period last year. The increase in revenue was mainly attributable to providing credit facilities for the completed projects, The Star and The Rainbow. The Group expects this business segment will continue to growth healthily under the continuous tightening of mortgage lending policy in Hong Kong and as the increase of our completed projects.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 31 December 2018 was approximately HK$792.6 million (31 December 2017: approximately HK$642.0 million). As at 31 December 2018, the Group maintained bank balances and cash of approximately HK$121.4 million (31 December 2017: approximately HK$63.5 million). The Group's net current assets of approximately HK$573.3 million as at 31 December 2018 (31 December 2017: approximately HK$555.8 million). The Group had current assets of approximately HK$3,103.7 million as at 31 December 2018 (31 December 2017: approximately HK$2,377.1 million). The increase of current assets was mainly due to an increase in property held for sales. The Group had current liabilities of approximately HK$2,530.4 million as at 31 December 2018 (31 December 2017: approximately HK$1,821.3 million). The increase of current liabilities was mainly due to an increase in bank borrowings. The Group's level of borrowings is disclosed hereafter under note 15 of the notes in this announcement.

The Group generally finances its operations with internally generated cashflow and bank borrowings. As at 31 December 2018, the Group had outstanding bank borrowings of approximately HK$2,364.4 million (31 December 2017: approximately HK$1,715.2 million). The bank borrowings as at 31 December 2018 were secured by the Group's properties, pledged bank deposits, corporate guarantee.

The Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as the total borrowings net of cash and cash equivalents divided by total equity) increased from approximately 267.2% as at 31 December 2017 to approximately 298.3% as at 31 December 2018 and increased from approximately 257.3% as at 31 December 2017 to approximately 283.0% as at 31 December 2018 respectively due to the increase in bank borrowings.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) slightly increased from approximately 67.0% as at 31 December 2017 to approximately 67.5% as at 31 December 2018 due to an increase in bank borrowings and the increase in property held for sale.

The Group's capital commitment as at 31 December 2018 amounted to approximately HK$213.6 million (31 December 2017: approximately HK$128.0 million). The increase of capital commitment was mainly due to project under development.

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

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

FOREIGN EXCHANGE

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

As at 31 December 2018, offshore borrowings were approximately Korean Won 14 billion, which is approximately HK$98 million, for the acquisition of a site in South Korea and project loan will be acquired in the beginning of 2019 for the construction cost of the property. The offshore borrowings is expected to be repaid after the disposal of South Korea Project is completed. The finance cost remains low at approximately 3.5% as at 31 December 2018.

The Group is not subject to any significant foreign currency risk as the revenue, expenses and borrowings of the Group's foreign operating subsidiaries are denominated in the functional currencies of those operations. Foreign currency funding and deposit exposure are monitored on a continuous basis. Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

The management of the Group is of the opinion that the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the reporting period. Therefore, the Group does not engage in any hedging activities.

PLEDGE OF ASSETS

As at 31 December 2018, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK$13.5 million and HK$2,904.6 million as well as HK$10.1 million respectively (31 December 2017: approximately HK$26.3 million and HK$2,243.1 million, as well as HK$10.0 million respectively) were pledged to secure the Group's banking facilities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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

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

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as of 31 December 2018.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed 16 employees (31 December 2017: 11) and appointed 8 Directors. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to individual performance, working experience, qualification and the current relevant industry practices. Apart from base salary and statutory provident fund scheme, discretionary bonus and share options may be granted to selected staff by reference to the Group's as well as the individual's performances. Other forms of benefits such as medical, on-the-job and external training to staff are also provided. The Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Group maintains a good relationship with its employees.

POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its businesses, financial condition, operations and prospects, and considered that the major risks and uncertainties that may affect the Group included (i) economic conditions which may directly affect the property market; (ii) availability of suitable sites and/or existing buildings for future property development; (iii) the continuous increase of construction costs; (iv) business cycle for property under development may be influenced by a number of factors, such as delays in obtaining the Government approvals for our property development projects, and the Group's revenue will be directly affected by the mix of properties available for sale and completion; (v) all construction works are outsourced to independent third parties that they may fail to provide satisfactory services adhering to our quality and safety standards as well as within the timeline required by the Group; (vi) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (vii) all property management services are outsourced to independent third parties that they may fail to provide satisfactory day-to-day onsite management services to users adhering to our quality and standards as required by the Group; and (viii) credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy.

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

USE OF NET PROCEEDS FROM FUND RAISING ACTIVITIES

The Company raised approximately HK$134.4 million before expenses by way of the open offer (as disclosed in the announcement of the Company on 21 August 2017 and 8 September 2017), pursuant to which 179,200,000 offer shares is issued at the subscription price of HK$0.75 per offer share (the "**Open Offer**"). Net proceeds from the Open Offer were approximately HK$132.8 million (after deduction of the underwriting commission and relevant expenses), which are intended to be applied in the manner as disclosed in the Prospectus of the Open Offer. Save as disclosed in Annual Report 2017, as at 31 December 2018, the net proceeds from the Open Offer were fully utilized as follows:

	Actual net proceeds	**Amount utilised up to 31 December 2018**	**Amount unutilised as at 31 December 2018**
	HK$ million	***HK$ million***	***HK$ million***
Payment of land premium of CWK Project	56.0	56.0	—
Repayment of interest expenses	62.0	62.0	—
General working capital of the Group	14.8	14.8	—
Total	132.8	132.8	—

PROSPECT

The residential property market in Hong Kong had boomed for more than two years from the beginning of 2016. Reflected by Centra-City Leading Index, the residential market was peaked at 188.64 points in August 2018 and then dropped by almost 10% to 170.19 points in January 2019 in just less than half a year! There are two key factors breaking this long term uptrend, namely, US-China trade war as well as the fear of interest rate hikes.

Nevertheless, these two factors were much alleviated after the speech given by Jerome Powell, Chairman of the Federal Reserve on 28th November 2018, and the meeting between Donald Trump, US President and Xi Jinping, Chinese President on 1st December 2018.

"Interest rates are still low by historical standards, and they remain just below the broad range of estimates of the level that would be neutral for the economy — that is, neither speeding up nor slowing down growth" said Powell on 28th November 2018. There was a clear distinction from remarks he made in October 2018. On the other hand, Donald Trump and Xi Jinping appeared to have reached a trade war truce when they met across dining table at the G20 summit in Buenos Aires, Argentina. Afterwards, US President delivered several positive messages about the progress on the negotiation with China via Twitter. "Just had a long and very good call with President Xi of China. Deal is moving along very well. If made, it will be very comprehensive, covering all subjects, areas and points of dispute. Big progress being made!" tweeted by Donald Trump on 31 December 2018.

The land auction market has reacted favourably to these positive signals in January 2019. One of Hong Kong biggest developers has won a government tender for the fourth plot of residential land on the old airport runway at Kai Tak facing Victoria Harbour at HK$11.26 billion (GFA: HK$17,360 per square foot). In comparison to another piece of land nearby facing seaview between the old runway and Kwun Tong, which was bought by another developer at GFA just $13,523 per square foot) in December of 2018, the unit rate has increased by around 28%.

In addition, first-hand residential market also reacted positively as reflected in the first-hand Residential Properties in January 2019. The total number of first-hand transactions was close to around 2000, which is almost two times the sum of November (720 cases) and December (399 cases) 2018.

Nevertheless, the attitude of Donald Trump and Jerome Powell have been swinging and thus the atmosphere of property market and other investments may not be that stable. Given these uncertainties, we are still prudently optimistic towards the property market in 2019.

ANNUAL GENERAL MEETING

The 2019 annual general meeting ("**AGM**") of the Company will be held on or about Friday, 12 April 2019 and the notice of 2019 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") in due course.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINAL DIVIDEND

The Board has resolved to recommend the payment of final dividend for the year ended 31 December 2018 of HK15.5 cents per share (the "**Final Dividend**") to the shareholders of the Company (the "**Shareholders**") whose name appear on the register of members (the "**Register of Members**") of the Company on Thursday, 18 April 2019. The Final Dividend is subject to approval by Shareholders at AGM of the Company to be held on or about Friday, 12 April 2019 and is expected to be distributed to those entitled on Thursday, 25 April 2019.

CLOSURES OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the AGM, the Register of Members will be closed from Tuesday, 9 April 2019 to Friday, 12 April 2019 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited (the "**Share Registrar**") at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 April 2019.

(ii) For determining the entitlement of the Final Dividend, the Register of Members will be closed on Thursday, 18 April 2019, during which no transfer of shares of the Company will be registered. In order to qualify for the Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Share Registrar for registration not later than 4:30 p.m. on Wednesday, 17 April 2019. The Final Dividend is expected to be distributed to those entitled on Thursday, 25 April 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Listing Rules relating to dealings in securities. Memorandum was sent to the Directors twice a year to draw their attention to the Model Code. The Company made specific enquiries to each Director and received their written confirmation of full compliance with the Model Code for the year ended 31 December 2018 and up to the date hereof and no incident of non-compliance by the directors was noted by the Company during such period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules with the exception for code provision A.2.1, which requires the roles of chairman and chief executive officer be in different individuals, throughout the period from the Listing Date up to 31 December 2018.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Man Fai Joe currently holds both positions. Throughout its business history, Mr. Chan Man Fai Joe has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group's operations as he directly supervises our senior management. Taking into account the continuation of the implementation of the business plans of the Group, our Directors (including our independent non-executive Directors) consider Mr. Chan Man Fai Joe the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the shareholders as a whole.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, including, Ms. Chan Wah Man Carman (Chairman of the Audit Committee), Mr. Lee Chung Ming Eric and Mr. Shiu Siu Tao.

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

The Audit Committee had reviewed the Group's consolidated financial statements for the year ended 31 December 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange (***www.hkexnews.hk***) and the Company (***www.starproperties.com.hk***). The 2018 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 28 February 2019

As at the date of this announcement, the Board consists of four executive Directors, namely Mr. Chan Man Fai Joe (Chairman), Ms. Cheung Wai Shuen, Mr. Liu Hon Wai and Prof. Pong Kam Keung; one non-executive Director, namely Mr. Yim Kwok Man; and three independent non-executive Directors, namely Mr. Shiu Siu Tao, Mr. Lee Chung Ming Eric and Ms. Chan Wah Man Carman.