



STAR GROUP COMPANY LIMITED

星星集團有限公司

(Carrying on business in Hong Kong as SGCL)

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1560

INTERIM REPORT
2022



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CORPORATE INFORMATION

REGISTERED OFFICE

Windward 3, Regatta Office Park,
PO Box 1350, Grand Cayman KY1-1108, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F, Tesbury Centre,
No. 28 Queen's Road East, Wan Chai, Hong Kong

COMPANY WEBSITE

www.stargroup.net

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chan Man Fai Joe (陳文輝)
Ms. Cheung Wai Shuen (張慧璇)
Ms. Hui Ying Ying (許瑩瑩) (resigned on 7 February 2022)

NON-EXECUTIVE DIRECTORS

Mr. Tsui Wing Tak (徐穎德) (Appointed on 7 February 2022)
Mr. Yim Kwok Man (嚴國文)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chung Ming Eric (李仲明)
Ms. Chan Wah Man Carman (陳華敏)
Dr. Wong Wai Kong (黃偉栢)

COMPANY SECRETARY

Ms. Cheung Wai Shuen (FCG HKFCG)

AUDIT COMMITTEE

Ms. Chan Wah Man Carman (*Chairman*)
Mr. Lee Chung Ming Eric
Dr. Wong Wai Kong

NOMINATION COMMITTEE

Mr. Chan Man Fai Joe (*Chairman*)
Mr. Lee Chung Ming Eric
Dr. Wong Wai Kong

REMUNERATION COMMITTEE

Ms. Chan Wah Man Carman (*Chairman*)
Mr. Chan Man Fai Joe
Dr. Wong Wai Kong

RISK CONTROL COMMITTEE

Mr. Yim Kwok Man (*Chairman*)
Mr. Chan Man Fai Joe
Ms. Cheung Wai Shuen
Mr. Lee Chung Ming Eric
Mr. Tsui Wing Tak (Appointed on 7 February 2022)

EXECUTIVE COMMITTEE

Mr. Chan Man Fai Joe (*Chairman*)
Ms. Cheung Wai Shuen
Ms. Hui Ying Ying (resigned on 7 February 2022)

AUTHORISED REPRESENTATIVES

Mr. Chan Man Fai Joe
Ms. Cheung Wai Shuen

PRINCIPAL BANKERS

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

Hang Seng Bank
83 Des Voeux Road, Central, Hong Kong

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

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

AUDITOR

BDO Limited
Certified Public Accountants
(Registered Public Interest Entity Auditors)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park, PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is principally engaged in property development; property investment for sale, rental or capital appreciation; provision of property management and security services; construction and fitting out works; provision of finance; fund investment and fund management; wine business which includes operation of wine cellar and trading of fine wine; and provision of media production services. The various lifestyle businesses are operating under the “Metropolitan” brand name.

The revenue of the Group for the six months ended 30 June 2022 was approximately HK\$189.0 million, mainly including revenue from sales of completed projects, property investment and wine business of approximately HK\$149.9 million, HK\$24.1 million and HK\$6.0 million, respectively, (for the six months ended 30 June 2021: approximately HK\$42.2 million, mainly including revenue from property investment and wine business of approximately HK\$20.7 million and HK\$11.7 million, respectively), which represented an increase of approximately HK\$146.8 million as compared with the last period. The increase in revenue was contributed by the sales of completed projects which were under the property development segment of the Group (for the six months ended 30 June 2021: Nil). The profit attributable to owners of the Company for the six months ended 30 June 2022 was approximately HK\$61.4 million (for the six months ended 30 June 2021: loss of approximately HK\$26.0 million). The increase in profit for the six months ended 30 June 2022 was mainly due to the gross margin of approximately HK\$30.5 million generated from the sales of completed projects (for the six months ended 30 June 2021: Nil) and gain on change in fair value of investment properties approximately HK\$50.9 million recognised upon the transfer of properties from investment properties to properties held for sale during the current period (for the six months ended 30 June 2021: loss of change in fair value of investment properties of approximately HK\$8.2 million). The basic earnings per share for the period was approximately HK9.58 cents as compared to loss per share of approximately HK4.06 cents for the corresponding period of last year. The review of the individual business segments of the Group is set out below.

PROPERTY DEVELOPMENT

Revenue was recognised in this business segment for the six months ended 30 June 2022 was approximately HK\$149.9 million (for the six months ended 30 June 2021: Nil). As at 30 June 2022, the Group had six completed projects, namely, (a) The Galaxy; (b) The Star; (c) The Rainbow; (d) The Cloud; (h) Corner 19 Project and (i) Corner 25 Project and three major projects under development, namely, (e) After The Rain (formerly known as Yuen Long Site Project); (f) Kwun Tong Site Project and (g) Corner 50 Project. A general summary and update of the property development projects of the Group during the reporting period and as at 30 June 2022 are listed below:

Hong Kong Projects:

- (a) The Galaxy: All units of the Galaxy have been sold out and delivered.
- (b) The Star: All units of the Star have been sold out and delivered.
- (c) The Rainbow: During the six months ended 30 June 2022, the sales of completed units and the temporary rental income from properties held for sale recognised was amounted to approximately HK\$52.9 million and HK\$7.0 million, respectively (for the six months ended 30 June 2021: revenue from completion and delivery of the unit was Nil and the temporary rental income from properties held for sale recognised was amounted to approximately HK\$7.4 million).



- (d) **The Cloud:** The Group redeveloped a new building in light of the new initiatives of the revitalization of industrial building announced in the Policy Address by the Chief Executive in the fourth quarter of 2018. The Cloud has completed in the second quarter of 2022, while the occupation permit was granted in the first quarter of 2022. The completion and revenue recognition has been taken place in the second quarter of 2022. During the six months ended 30 June 2022, revenue of approximately HK\$97.1 million was recognised from completion and delivery of 46 property units (for the six months ended 30 June 2021: Nil).
- (e) **After The Rain Project:** The Group intends to redevelop it into a residential complex with some shops on ground floor. This project is positioned as a luxury and stylish condominium residential complex targeting at young residents pursuing high quality and design driven lifestyle. The Group has obtained town planning approval around the middle of 2019 and building plan approval in February 2020. The land premium in relation to the lease modification was paid in 2021. The superstructure work is in progress and is expected to be completed in the second half of 2022. The construction process is expected to be completed in the second quarter of 2023. It is expected to begin pre-sale in the fourth quarter of 2022 upon the release of pre-sale permit.
- (f) **Kwun Tong Site Project:** The Group intends to redevelop it into a high end prestigious commercial building or a new industrial building. Hoarding and demolition work of the existing building commenced in the third quarter of 2019 and completed in August 2020. Town planning application was submitted in fourth quarter of 2019, and was approved in the second quarter of 2020 to change the use of the site from industrial to commercial together with an additional plot ratio (about 20%) in accordance with the Government policy in the revitalization of industrial building. Upon the completion of the property redevelopment work, the Group intends to sell the property to generate revenue.

Korea, Seoul Projects:

- (g) **Corner 50 Project:** The site is located in Seongsu area of Seoul, South Korea and the Group intends to redevelop it into a high end prestigious building. The demolition work was completed in second quarter of 2020 and the construction is expected to be completed in third quarter of 2022. The Group entered into the S&P Agreements (as defined below) to sell the whole project.
- (h) **Corner 19 Project:** The site is located at the same area of Corner 50 Project. The Group intends to develop the project into high end prestigious buildings as landmark for the Group in the Seongsu area. The construction process was completed in fourth quarter of 2021. The Group entered into the S&P Agreements to sell the whole project.
- (i) **Corner 25 Project:** The site is located in Seongsu area of Seoul, South Korea, same area of Corner 50 Project and Corner 19 Project. The Group acquired the project as property investment in 2020, and changed the intention to redevelop the project into a high end prestigious buildings as land mark for the Group in the Seongsu area in the second quarter of 2022. The redevelopment work has been completed in the second quarter of 2022. The Group entered into the S&P Agreements to sell the whole project.

On 25 May 2022, the subsidiaries of the Group as vendors entered into the sale and purchase agreements with the purchaser (the “**S&P Agreements**”) to sell the property of (1) 273-50, Seongsu Dong 2-ga, Seongdong-gu, Seoul (the Corner 50); (2) 314-19, Seongsu Dong 2-ga, Seongdong-gu, Seoul (the Corner 19); and (3) 656-25 Seongsu-dong 1-ga, Seongdong-gu, Seoul (the Corner 25). The total consideration under the S&P Agreements is 184 billion Korean won (“**KRW**”) (equivalent to approximately HK\$1,150 million) and an initial deposit of KRW18 billion (equivalent to approximately HK\$112 million) had been received by the Group during the six months ended 30 June 2022. The remaining consideration has been received subsequent to the end of the reporting period and the sales were completed in July 2022. The total consideration will be recognised as revenue of the Group in the second half of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2022, the Group remains conservative in view of the impact of COVID-19 and mainly focused on development of the existing projects. However, the Group will continue to pay attention to the latest property market in Hong Kong and worldwide to ensure the Group would be able to capture the best development opportunities.

PROPERTY INVESTMENT

The Group is engaging in property investment for sale, rental or capital appreciation. Partial of the rental of business is carrying out through provision of serviced apartment; co-working space and storage under the brand of “Metropolitan”.

Revenue recognised in this business segment for the six months ended 30 June 2022 amounted to approximately HK\$24.1 million (for the six months ended 30 June 2021: approximately HK\$20.7 million), representing an increase of approximately HK\$3.4 million over the corresponding period of last year. Below are the breakdown of revenue on the property investment business under serviced apartment, storage and workshop:

METROPOLITAN APARTMENT

Metropolitan Apartment is principally engaged in the business of operation of serviced apartments in Hong Kong which provided fully furnished suites with flexible monthly renewal terms. The target customers of Metropolitan Apartment are short-term overseas employees, local residents and college students. Revenue recognised in this business for the six months ended 30 June 2022 amounted to approximately HK\$1.3 million (for the six months ended 30 June 2021: approximately HK\$1.4 million), which represented a slightly decrease of approximately HK\$0.1 million compared with the corresponding period of last year.

METROPOLITAN STORAGE AND WORKSHOP

Metropolitan Workshop is principally engaged in the business of provision of 24-hour co-working spaces ranging from private rooms/shared offices, dedicated desks, hot desks, and virtual offices to memberships in multi-location, providing flexible price plans and all equipped workspace perfect for freelancers, entrepreneurs, smaller companies and corporates. Metropolitan Storage is principally engaged in the business of provision and operation of 24-hour storage service to the public in Hong Kong. Revenue recognised in this business for the six months ended 30 June 2022 amounted to approximately HK\$22.0 million (for the six months ended 30 June 2021: approximately HK\$18.0 million), which represented an increase of approximately HK\$4.0 million compared with the corresponding period of last year.

As at 30 June 2022, the total carrying value of the Group's portfolio of investment properties was amounted to approximately HK\$910.8 million (31 December 2021: approximately HK\$1,054.1 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong of HK\$844.3 million (31 December 2021: located in Hong Kong and Korea of approximately HK\$988.3 million), and right-of-use assets (“ROU”) that meet the definition of investment properties of HK\$66.5 million (31 December 2021: HK\$65.8 million).

Among all of the investment properties, the total carrying value categorized under Property Investment segment, amounted to approximately HK\$874.1 million (31 December 2021: HK\$1,017.4 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong of HK\$810.3 million (31 December 2021: located in Hong Kong and Korea of HK\$954.3 million); and ROU that meet the definition of investment properties of HK\$63.8 million (31 December 2021: HK\$63.1 million). The remaining investment properties were categorized under Wine Business segment.

The Group will also consider if there is any purchase opportunity for investment property or if any of the development properties have appreciation potential to be converted as investment properties, which allow more stable rental income to be generated.

PROVISION OF PROPERTY MANAGEMENT SERVICES

The Group is providing the property management services for our four completed projects – The Galaxy, The Star, The Rainbow, The Cloud; and a residential building located at Happy Valley. The Group has also provided security services to these properties since the fourth quarter of 2020. Revenue recognised in this business segment for the six months ended 30 June 2022 amounted to approximately HK\$5.2 million (for the six months ended 30 June 2021: approximately HK\$4.8 million). The Group believes that the provision of all-rounded high quality property management and security services could help to enhance our brand recognition. The increase of upcoming completed projects and provision of services to other property owners or developers are expected to expand this business segment and help the Group to generate stable income in long run.

PROVISION OF FINANCE

The Group is operating in this business segment to provide credit facilities to individuals and corporation clients for its own development projects. Revenue generated from this business segment for the six months ended 30 June 2022 amounted to approximately HK\$1.5 million (for the six months ended 30 June 2021: HK\$2.5 million), representing a decrease of approximately HK\$1.0 million due to repayment of loan from borrowers. The Group expects this business segment to generate a stable income and provide support to enhance the sales of properties.

CONSTRUCTION AND FITTING OUT WORKS

The Group has successfully registered as a Registered General Building Contractor in the second half of 2020. Revenue generated from this business segment for the six months ended 30 June 2022 amounted to approximately HK\$2.0 million (for the six months ended 30 June 2021: HK\$2.1 million). The Group expects this business segment will have synergy with other business segments by enhancing the quality of work and lowering the construction or renovation costs.

WINE BUSINESS

The Group has engaged in the sales of fine wine to Hong Kong local residents with delivery services through Metropolitan Fine Wine and leasing of professional fine wine storage through Metropolitan Wine Cellar. Revenue recognised in this business segment for the six months ended 30 June 2022 amounted to approximately HK\$6.0 million (for the six months ended 30 June 2021: approximately HK\$11.7 million), which represented a decrease of approximately HK\$5.7 million compared with the corresponding period of last year.

The total carrying value of the Group's portfolio of investment properties categorized under Wine Business segment was amounted to approximately HK\$36.7 million (31 December 2021: HK\$36.7 million), which comprised a unit in industrial building located Hong Kong of HK\$34.0 million (31 December 2021: HK\$34.0 million); and ROU that meet the definition of investment properties of HK\$2.7 million (31 December 2021: HK\$2.7 million).

PROVISION OF MEDIA PRODUCTION SERVICES

The Group operates this business segment through Metropolitan Production by consultancy services including provision of film or advertisement; organization of media events, music concerts and artist management. Revenue recognised in this business segment for the six months ended 30 June 2022 amounted to approximately HK\$0.4 million (for the six months ended 30 June 2021: approximately HK\$0.3 million).

FUND INVESTMENT AND MANAGEMENT

Also, the total carrying value of the Group's funds investment amounted to approximately HK\$7.7 million (31 December 2021: approximately HK\$6.9 million). In order to broaden the sources of finance and expand the market share of property development business, the Group plans to set up and manage a real estate fund for raising more funding in the future.

CAPITAL STRUCTURE

Detail of the movements in the Company's share capital are set out in note 18 to the interim condensed consolidated financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2022 was approximately HK\$1,445.3 million (31 December 2021: approximately HK\$1,382.3 million). As at 30 June 2022, the Group maintained bank balances and cash of approximately HK\$93.3 million (31 December 2021: approximately HK\$94.0 million). The Group's net current assets was approximately HK\$1,827.9 million (31 December 2021: HK\$1,545.5 million). The Group had current assets of approximately HK\$4,607.7 million (31 December 2021: approximately HK\$4,180.7 million). The increase of current assets was mainly due to increase in deposit received from sales of completed project — The Cloud kept at stakeholder's accounts and investment properties classified as properties held for sale. The Group had current liabilities of approximately HK\$2,779.8 million (31 December 2021: approximately HK\$2,635.1 million). The increase of current liabilities was mainly due to increase in pre-sale contract liabilities of The Cloud and the initial deposit received from the sales of 3 Korean projects under the S&P Agreements. The information of the Group's borrowings is disclosed hereafter under note 16 to the interim condensed consolidated financial statements.

The Group generally finances its operations with internally generated cashflow, convertible bonds and borrowings from banks and financial institutions. As at 30 June 2022, the Group had convertible bonds with liability portion of approximately HK\$84.9 million (31 December 2021: approximately HK\$81.8 million); and outstanding borrowings of approximately HK\$3,194.6 million (31 December 2021: approximately HK\$3,242.0 million). The borrowings as at 30 June 2022 were secured by the Group's properties, pledged bank deposits, and corporate guarantee.

The Group's gearing ratio (defined as the total interest-bearing borrowings divided by total equity and multiplied by 100%) and net debt-to-equity ratio (defined as the total borrowings net of cash and cash equivalents divided by total equity) decrease from approximately 234.5% as at 31 December 2021 to approximately 221.0% as at 30 June 2022 and decrease from approximately 227.7% as at 31 December 2021 to approximately 214.6% as at 30 June 2022 respectively. The decrease of both ratios was primarily due to the decrease of bank borrowings and the profit attributable to owners of the Company recorded during the six months ended 30 June 2022.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) decreased from approximately 59.4% as at 31 December 2021 to approximately 55.0% as at 30 June 2022 due to the increase of carrying amount of properties held for sale.

The Group's capital commitment as at 30 June 2022 amounted to approximately HK\$294.9 million (31 December 2021: approximately HK\$369.9 million). The decrease of capital commitment was mainly due to payment of the construction cost of the development projects towards the completion of 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 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.

CONVERTIBLE BONDS

On 21 July 2020, the Company (as purchaser) and Metropolitan Lifestyle (BVI) Limited (as vendor) entered into the Acquisition Agreement to acquire the Sale Share and Sale Loan of Metropolitan Group (BVI) Limited (as defined in the circular of the Company dated 15 September 2020) at an aggregate consideration of HK\$460,000,000, which will be satisfied by (i) part payment in cash; and (ii) allotment and issue of the convertible bonds (the "VSA"). Completion of the VSA has taken place on 22 October 2020 and the Convertible Bonds which bear a coupon rate of 3% per annum, in the principal amount of HK\$418,000,000 have been issued to Metropolitan Lifestyle (BVI) Limited. For details, please refer to the announcements of the Company dated 21 July 2020, 30 September 2020 and the circular of the Company dated 14 September 2020.

There was no redemption or conversion of the convertible bonds during the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

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 had three property projects in South Korea and the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in United States dollars and Korean Won.

In respect of the Group's operations in South Korea, the Group maintains an appropriate level of external borrowings in Korean Won for natural hedging of Korean Won attributed to those projects. The Korean Won currency exposure of the Group is mainly derived from the translation of current assets and liabilities of the subsidiaries in South Korea with functional currency of Korean Won and the Korean Won deposits held for future development costs to be expended to Hong Kong dollar.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, offshore borrowings were approximately Korean Won 48.3 billion, which is approximately HK\$291.2 million (31 December 2021: approximately Korean Won 38.1 billion, which is approximately HK\$294.4 million), as land loan, construction loan and project loan for the projects in South Korea. The offshore borrowings are expected to be repaid after the completion and disposal of the projects in South Korea. The interest rates of these bank borrowings ranged from 3.5% to 4.2% as at 30 June 2022 (31 December 2021: 3.15% to 4.2%).

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

PLEDGE OF ASSETS

As at 30 June 2022, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK\$844.3 million and HK\$4,315.1 million as well as HK\$10.0 million respectively (31 December 2021: approximately HK\$911.2 million and HK\$3,871.8 million, as well as HK\$10.4 million respectively) were pledged to secure the Group's credit 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 reporting period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

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

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 report, the Group did not have other plans for material investments or capital assets as of 30 June 2022.



EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed 117 employees (31 December 2021: 104 employees) and appointed 7 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 education subsidy, medical scheme, 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) market risk which refers to the economic and financial conditions that has direct impact on to the property market and purchasing power. Other retails business providers including provision of serviced apartments, workshops, storage and wine cellars may also be highly affected by the market sentiment when the economic outlook of Hong Kong was not positive; (ii) business risk like supply and price level of bank borrowings may have significant impact to the cost of our development project; (iii) industry risk which mainly refers to the continuous increase of construction costs; (iv) regulatory risk such as the changes of regulations may affect the completion time of our property development projects or the market sentiment, for example, property cooling measures imposed by the Government from time to time; (v) suppliers risk such as outsource of construction works to independent third parties while 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) other business risk like the revenue cycle is strongly depends on the sales of properties which may lead to significant fluctuation of profitability in different periods; (vii) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (viii) credit risk from provision of finance which may incur bad debts during the downturn of economy; (ix) bank borrowing and interest rate risk which may limit or otherwise materially and adversely affect our business, results of operations and financial conditions; and (x) the operational expenses may also be affected by the economic situations.

The Board acknowledges its responsibility to monitor the risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness from time to time. The Group has set up a risk control committee to coordinate, respond to and to tackle the abovementioned possible risks and uncertainties, and has serious scrutiny over the selection of quality customers and suppliers. The Risk Control Committee intends to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material misstatement or loss. The risk control committees is also responsible for developing and reviewing strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. The Group has also engaged internal auditor to review the internal operation flow to ensure the compliance with relevant rules and regulations. Whenever possible, the Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.



IMPACT OF COVID-19 PANDEMIC

The Group has implemented a series of precautionary and control measures since the outbreak of COVID-19 to ensure business continuity. In order to protect our workforce from outbreak, the Group has provided clear and timely guidelines to all staff; maintained a close monitoring on all staff's health status, travel history and potentially infectious contacts; provided extra sanitization products and air purifier machine to all sites. Since the business operations of Metropolitan Group involve direct contact with a lot of customers, the Group has ensured proper sanitization and cleaning work is done on a regular basis. The Group has encouraged its staff, who are eligible and fit, to take COVID-19 vaccination to protect themselves and others.

The Group's business focus in Hong Kong and South Korea, it was not significantly impacted by quarantine policy and tourism ban. As of 30 June 2022, the financial impact of COVID-19 pandemic on the Group is not significant.

PROSPECT

The residential market price has slid by about 5.2% in the first eight months following a 4.6% rise in 2021 reflected by Centa-City Leading Index. Probably, emigration wave, rise of mortgage rate and frozen borders to both the mainland China and the world out there are all in play for the decline of property price. However, there may be a blessing in disguise, the looming economic situation and down trend property price may bring the Hong Kong Government to revisit the stamp duty policy. Chief Executive of Hong Kong, John Lee, vowed to maintain the stability of property price and avoid any major fluctuations because he believed this was best for Hong Kong's development when he was a candidate for Chief Executive of Hong Kong in April 2022. Cutting down the Valorem Stamp Duty from 15% to boost up the demand for second house may not be impossible if property keeps falling, which is also in line with recent relaxing housing policies in Mainland China.

Furthermore, reported by Wall Street Journal in August 2022, Chinese officials are making plans for Mr. Xi Jinping to visit Southeast Asia and meet face-to-face with President Biden in November in what would mark the Chinese leader's first international trip in nearly three years and his first in-person meeting with Mr. Biden since the American leader's inauguration. It may signal that China is going to relax the Zero COVID-19 policy in some ways after November this year. If so, it may a big step for Hong Kong to reconnect to the World and China.

Inflation was still one of the hottest topic in the capital and stock market in the United States all along the way in the first eight months in 2022. Nevertheless, the hawkish interest rate policy under such high inflation rate has been bringing another economic issue to the United States. According to the "advance" estimate released by U.S. Bureau of Economic Analysis, the American economy shrank an annualized 0.9% in real GDP on quarter in the second quarter of 2022, following a 1.6% drop in the first quarter and technically entering a recession. If Federal Reserve keeps raising the interest rate as expected by the market, the looming recession may trigger the Federal Reserve to re-evaluate the interest rate policy.

All in all, the current residential market is in some headwind, however, we still believe the price of the residential property will remain stable throughout this year.



CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil). No final dividend was declared for the year ended 31 December 2021 (31 December 2020: Nil).

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 2022, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time (the “SFO”)) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange were as follows:



(A) LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES AS AT 30 JUNE 2022:

Name of Directors/ chief executive	Number of Shares held (Beneficial owner/through controlled corporation)	Interests in share options (Note 2)	Other derivative interests in listed corporation	Total	Approximately percentage of shareholding in the Company (Note 4)
Mr. Chan Man Fai Joe	440,640,800 (Note 1)	10,000,000	836,000,000 (Note 3)	1,286,640,800	200.57%
Ms. Cheung Wai Shuen	300,000	2,300,000	—	2,600,000	0.41%
Mr. Yim Kwok Man	—	1,070,400	—	1,070,400	0.17%
Ms. Chan Wah Man Garman	156,000	1,070,400	—	1,226,400	0.19%
Mr. Lee Chung Ming Eric	—	1,070,400	—	1,070,400	0.17%
Dr. Wong Wai Kong	—	600,000	—	600,000	0.09%

Notes:

1. *Star Properties Holdings (BVI) Limited is the registered or beneficial owner of 432,140,800 ordinary shares. Star Properties Holdings (BVI) Limited is wholly-owned by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the 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. *Metropolitan Lifestyle (BVI) Limited is the interested in 836,000,000 shares by virtue of the convertible bonds issued by the Company on 22 October 2020. Metropolitan Lifestyle (BVI) Limited is indirectly held as to 100% by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the shares in which Metropolitan Lifestyle (BVI) Limited is interested.*
4. *These percentages were compiled based on the total number of issued shares (i.e. 641,498,000 shares) at 30 June 2022.*

(B) LONG POSITIONS IN THE DEBENTURES AS AT 30 JUNE 2022:

Name of Director(s)/ chief executive	Amount of debentures			Total	Approximately percentage to the total amount of debentures in issued
	Personal Interests	Family Interests	Corporation Interests		
Mr. Chan Man Fai Joe	—	—	HK\$418,000,000 (Note 1)	HK\$418,000,000	100%

Note:

1. The convertible bonds issued on 22 October 2020 to Metropolitan Lifestyle (BVI) Limited, which is indirectly held as to 100% by Mr. Chan Man Fai Joe.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO); or were required to be recorded in the register of the Company pursuant to Section 352 of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



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

As at 30 June 2022, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) had interests or 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long Positions in the Shares and underlying Shares

Name of Shareholders	Capacity	Number of Shares	Interest in share option	Approximate percentage of shareholding in the Company (Note 4)
Star Properties Holdings (BVI) Limited	Beneficial owner (Note 1)	432,140,800	—	67.36%
Mr. Lam Kin Kok	Interest of controlled corporation (Note 2)	38,259,200	—	5.96%
	Beneficial owner	570,000	—	0.09%
Eagle Trend (BVI) Limited	Beneficial owner (Note 2)	38,259,200	—	5.96%
Metropolitan Lifestyle (BVI) Limited	Beneficial owner (Note 3)	836,000,000	—	130.32%

Notes:

1. Star Properties Holdings (BVI) Limited is the registered or beneficial owner of 432,140,800 ordinary shares. Star Properties Holdings (BVI) Limited is wholly-owned by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the shares in which Star Properties Holdings (BVI) Limited is interested.
2. Eagle Trend (BVI) Limited is the registered or beneficial owner of 38,259,200 ordinary shares. Eagle Trend (BVI) Limited is wholly-owned by Mr. Lam Kin Kok. By virtue of the SFO, Mr. Lam Kin Kok is deemed to be interested in the shares in which Eagle Trend (BVI) Limited is interested.
3. Metropolitan Lifestyle (BVI) Limited is interested in 836,000,000 shares by virtue of the convertible bonds issued by the Company on 22 October 2020. Metropolitan Lifestyle (BVI) Limited is indirectly held as to 100% by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the shares in which Metropolitan Lifestyle (BVI) Limited is interested.
4. These percentages were compiled based on the total number of issued shares (i.e. 641,498,000 shares) as at 30 June 2022.
5. All the interests stated above represent long positions.

As at 30 June 2022, so far as the Directors are aware, no person had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



SHARE OPTION SCHEME

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

Subject to the rules of the Share Option Scheme, the share options are exercisable in the following manners:

Date of Grant	Total number of share option granted	Exercisable period	Exercise price
25 Jan 2017	26,107,200 (Note 1)	25 Jan 2018-12 Jul 2026	HK\$0.98 (Note 1)
18 Oct 2018 (Note 2)	21,193,088	18 Oct 2018-17 Oct 2028	HK\$0.75
23 Nov 2020 (Note 2)	32,950,000	23 Nov 2020-22 Nov 2030	HK\$0.41
11 Dec 2020	10,000,000	26 Jan 2021-10 Dec 2030	HK\$0.41
27 Jan 2021	27,250,000	27 Jan 2021-26 Jan 2031	HK\$0.418

Notes:

- The number of outstanding share options and exercise price were adjusted as a result of the bonus issue of shares and open offer of shares of the Company on 19 May 2017 and 11 September 2017, respectively.
- All of the granted share options were either exercised or lapsed or cancelled.

During the six months ended 30 June 2022, 1,850,000 share options granted under the refreshed scheme mandate limit were lapsed; 1,176,000 share options granted under the previous scheme mandate limit were lapsed (which cannot be added back to the scheme mandate limit) and no share options were cancelled or exercised.



DETAILS OF THE MOVEMENTS IN THE COMPANY'S SHARE OPTIONS DURING THE SIX MONTHS ENDED 30 JUNE 2022 (THE "PERIOD") ARE SET OUT BELOW:

Name or category	Outstanding	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding	Approximate percentage of the issued shares of the Company
	as at 1 January 2022					as at 30 June 2022	
Executive Directors							
Mr. Chan Man Fai Joe	10,000,000	—	—	—	—	10,000,000	1.56%
Ms. Cheung Wai Shuen	2,300,000	—	—	—	—	2,300,000	0.36%
Ms. Hui Ying Ying (resigned on 7 February 2022)	2,676,000	—	—	—	(2,676,000)	—	0.00%
Non Executive Director							
Mr. Yim Kwok Man	1,070,400	—	—	—	—	1,070,400	0.17%
Independent Non Executive Directors							
Ms. Chan Wah Man Carman	1,070,400	—	—	—	—	1,070,400	0.17%
Mr. Lee Chung Ming Eric	1,070,400	—	—	—	—	1,070,400	0.17%
Dr. Wong Wai Kong	600,000	—	—	—	—	600,000	0.09%
Others							
Other Eligible Participants	17,316,800	—	—	—	(350,000)	16,966,800	2.65%
	36,104,000	—	—	—	(3,026,000)	33,078,000	

Note:

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

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the reporting period, Mr. Tsui Wing Tak ("**Mr. Tsui**"), a non-executive Director, held share interests and/or directorships in other companies which are principally engaged in property investment and development and provision of finance in Hong Kong and Mainland China. Mr. Tsui is therefore considered to have interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

As the businesses of the Company and the above entities are operated under separate management with no reliance (whether financial or business) on each other, the Group is able to operate its businesses independently of, and at arm's length from the competing entities.

Save as disclosed above, as at 30 June 2022, none of the Directors and their respective close associates have any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses to which the Directors and their close associates were appointed to represent the interests of the Company and/or the Group.



MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Memorandum was sent to the Directors twice a year to draw their attention to the Model Code. Having made specific enquiries of each of the Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the reporting period and no incident of non-compliance by the Directors was noted by the Company throughout the reporting period.

DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

In accordance with the continuing obligations set out in rule 13.21 of Chapter 13 of the Listing Rules, the following are the details of the loan agreement with covenants relating to specific performance on the controlling shareholders of the Company pursuant to rule 13.18 thereof. There exists no reporting obligation by the Company under rules 13.17 and 13.19 of the Listing Rules accordingly.

- On 13 August 2020, Noble Energy Limited (an indirect wholly owned subsidiary of the Company), as the Borrower, entered into a facility agreement (the "**Facility Agreement**") with a bank for the land and construction loan up to an aggregated amount of HK\$255,048,000 at the terms of 21 months from the date of signing of Facility Agreement or 6 months after the issuance of occupation permit for the Tack Lee Project, whichever is earlier. Pursuant to the terms of the Facility Agreement, the Company undertakes with the bank, inter alia, that Mr. Chan Man Fai Joe, the Chairman and controlling shareholder of the Company, shall maintain his directorship and/or indirect beneficial shareholding in the Company for not less than 60% and maintain control over the management and business of the Group. As at the date of the Loan Agreement, Mr. Chan Man Fai Joe held direct and indirect an aggregate interest in 434,640,800 shares in the Company, representing approximately 67.75% of the issued share capital of the Company.
- On 27 November 2020, entered into a facility agreement with a bank for the general banking facilities of an revolving loan amount of HK\$30,000,000. Pursuant to the terms of the facility agreement, Mr. Chan Man Fai Joe shall, directly or indirectly, maintain not less than 51% shareholding of the Company. As at the date of the loan agreement, Mr. Chan Man Fai Joe holds approximately 68.69% of the issued share capital of the Company.
- On 25 August 2021, Sincere Gold Properties Limited (an indirect wholly owned subsidiary of the Company), as the Borrower, entered into a facility agreement with banks for the land and construction loan and part of the facilities is to refinance the existing facilities with Hang Seng Bank up to an aggregated amount of HK\$1,241,677,000 at the terms of 24 months from the date of signing of facility agreement or 6 months after the issuance of certificate of compliance for the project located at No. 21 Wang Yip Street West, Yuen Long, New Territories, whichever is earlier. Pursuant to the terms of the facility agreement, Mr. Chan Man Fai Joe shall maintain his directorship and/or, direct or indirect beneficial shareholding for not less than 60% and maintain control over the management and business of the Group. As at the date of the loan agreement, Mr. Chan Man Fai Joe holds approximately 68.69% of the issued share capital of the Company.

As at 30 June 2022, the aggregate interest in the shares in the Company held by Mr. Chan Man Fai Joe, direct and indirect, is 440,640,800 shares, representing approximately 68.69% of the shares of the Company in issued.



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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Man Fai Joe currently holds both positions. Throughout the business history of the Company, 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 the senior management of the Group.

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

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information subsequent to the date of annual report for the year ended 31 December 2021 and up to the date of this report, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Directors	Details of Changes
Ms. Hui Ying Ying	Resigned as an executive Director and ceased to be a member of executive committee of the Company with effect from 7 February 2022.
Mr. Tsui Wing Tak	<p>Appointed as a non-executive Director and a member of risk control committee of the Company with effect from 7 February 2022.</p> <p>Appointed as an executive director and chairman of the board of Capital Estate Limited (stock code: 193), a company listed on the Main Board of the Stock Exchange, with effect from 15 February 2022.</p>

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules. The Audit Committee has adopted the terms of reference which are in line with the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Chan Wah Man Carman, Mr. Lee Chung Ming Eric and Dr. Wong Wai Kong, with Ms. Chan Wah Man Carman being the chairlady of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated interim results and the interim report of the Company for the six months ended 30 June 2022 and agreed to the accounting principles and practices adopted by the Company.

For and on behalf of the Board
Star Group Company Limited
(Carrying on business in Hong Kong as SGCL)
Chan Man Fai Joe
Chairman

Hong Kong, 30 August 2022



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	NOTES	Six months ended	
		30.6.2022 HK\$'000 (Unaudited)	30.6.2021 HK\$'000 (Unaudited)
Revenue	4	188,990	42,151
Cost of sales and services		(124,978)	(8,040)
Gross profit		64,012	34,111
Other income	5	12,406	16,073
Gain/(loss) on change in fair value of investment properties		50,928	(8,248)
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss	13	838	(96)
Selling expenses		(8,592)	(1,378)
Administrative expenses		(48,971)	(48,540)
Finance costs	6	(6,660)	(16,283)
Profit/(loss) before tax	7	63,961	(24,361)
Income tax expense	8	(3,576)	(1,099)
Profit/(loss) for the period		60,385	(25,460)
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		2,671	(2,434)
Total comprehensive income for the period		63,056	(27,894)
Profit/(loss) for the period attributable to:			
Owners of the Company		61,424	(26,041)
Non-controlling interests		(1,039)	581
		60,385	(25,460)
Total comprehensive income for the period attributable to:			
Owners of the Company		64,248	(28,363)
Non-controlling interests		(1,192)	469
		63,056	(27,894)
Earnings/(loss) per share			
— Basic (HK cents)	10	9.58	(4.06)
— Diluted (HK cents)	10	4.37	(4.06)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	NOTES	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment	11	4,131	3,416
Investment properties		910,754	1,054,096
Deferred tax assets		2,851	3,005
Loan receivables	12	66,499	53,048
Financial assets at fair value through profit or loss	13	7,711	6,873
Deposits	14	34,179	—
		1,026,125	1,120,438
Current Assets			
Inventories		8,506	7,056
Properties held for sale		4,315,052	3,871,827
Trade and other receivables, deposits and prepayments	14	89,389	79,462
Financial assets at fair value through profit or loss	13	34,968	34,968
Amounts due from related companies		135	58
Tax recoverable		309	609
Stakeholder's accounts		56,004	82,243
Pledged bank deposits		10,000	10,403
Bank balances and cash		93,310	94,040
		4,607,673	4,180,666
Current Liabilities			
Trade and other payables	15	334,424	218,944
Contract liabilities		303,375	137,177
Amount due to a director		157,555	121,527
Amounts due to related companies		9	2
Lease liabilities		17,859	17,706
Tax liabilities		3,758	128
Borrowings	16	1,962,832	2,139,654
		2,779,812	2,635,138
Net Current Assets		1,827,861	1,545,528
Total Assets less Current Liabilities		2,853,986	2,665,966



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	NOTES	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Non-current Liabilities			
Lease liabilities		32,697	39,770
Borrowings	16	1,231,731	1,102,332
Convertible bonds – liability component	17	84,915	81,769
Deferred tax liabilities		59,331	59,839
		1,408,674	1,283,710
Net Assets			
		1,445,312	1,382,256
Capital and Reserves			
Share capital	18	6,415	6,415
Reserves		1,449,788	1,385,540
Equity attributable to owners of the Company		1,456,203	1,391,955
Non-controlling interests		(10,891)	(9,699)
Total Equity			
		1,445,312	1,382,256



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Attributable to owners of the Company

	Share capital	Share premium	Share options reserve	Translation reserve	Shareholders contribution	Convertible bonds-equity component	Merger reserve	Retained earnings	Sub-total	Non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (Audited)	6,415	233,457	2,865	(297)	190,000	313,698	(150,227)	826,830	1,422,741	(9,061)	1,413,680
Loss for the period	–	–	–	–	–	–	–	(26,041)	(26,041)	581	(25,460)
Other comprehensive income for the period	–	–	–	(2,322)	–	–	–	–	(2,322)	(112)	(2,434)
Total comprehensive income for the period	–	–	–	(2,322)	–	–	–	(26,041)	(28,363)	469	(27,894)
Recognition of equity-settled share-based payment	–	–	9,541	–	–	–	–	–	9,541	–	9,541
Lapse of share options	–	–	(590)	–	–	–	–	590	–	–	–
At 30 June 2021 (Unaudited)	6,415	233,457	11,816	(2,619)	190,000	313,698	(150,227)	801,379	1,403,919	(8,592)	1,395,327
At 1 January 2022 (Audited)	6,415	233,457	10,426	(3,490)	190,000	313,698	(150,227)	791,676	1,391,955	(9,699)	1,382,256
Profit for the period	–	–	–	–	–	–	–	61,424	61,424	(1,039)	60,385
Other comprehensive income for the period	–	–	–	2,824	–	–	–	–	2,824	(153)	2,671
Total comprehensive income for the period	–	–	–	2,824	–	–	–	61,424	64,248	(1,192)	63,056
Lapse of share options	–	–	(1,646)	–	–	–	–	1,646	–	–	–
At 30 June 2022 (Unaudited)	6,415	233,457	8,780	(666)	190,000	313,698	(150,227)	854,746	1,456,203	(10,891)	1,445,312



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended	
	30.6.2022 HK\$'000 (Unaudited)	30.6.2021 HK\$'000 (Unaudited)
Net cash from operating activities	79,345	7,963
Cash flows from investing activities		
Purchase of investment properties	(8,956)	(3,395)
Purchase of property, plant and equipment	(482)	(148)
Increase in deposits	(34,179)	—
Release/(placement) of pledged bank deposits	403	(18)
Net cash inflow from acquisition of a subsidiary	—	1,596
Proceeds from disposal of an investment property	6,800	—
Interest received from bank balances and pledged bank deposits	65	106
Net cash used in investing activities	(36,349)	(1,859)
Cash flows from financing activities		
Borrowings raised	222,726	73,598
Repayments of borrowings	(248,877)	(20,597)
Repayments of lease liabilities	(9,602)	(8,999)
Increase in amount due to a director	36,028	36,746
Interest paid	(44,001)	(30,542)
Net cash (used in)/generated from financing activities	(43,726)	50,206
Net (decrease)/increase in cash and cash equivalents	(730)	56,310
Cash and cash equivalents at beginning of the period	94,040	55,457
Cash and cash equivalents at end of the period, represented by bank balances and cash	93,310	111,767
Analysis of cash and cash equivalents		
Bank balances and cash	93,310	111,030
Bank balances and cash classified as assets held for sale	—	737
	93,310	111,767



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of Star Group Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

2. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2021 (“**2021 annual financial statements**”).

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 9 — Financial Instruments and Amendments to HKFRS 16 — Leases

The Group has not applied any new or amended HKFRS that is not yet effective for the current period.

The adoption of these amendments has no material impact on the Group’s financial statements.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2021 annual financial statements.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of properties	149,910	—
Service income from provision of property management and security services	5,181	4,818
Service income from provision of construction and fitting out works	2,012	2,121
Trading of fine wine	2,724	7,871
Service income from provision of media production services	359	313
	160,186	15,123
Revenue from other sources		
Rental income from leasing of:		
— investment properties	767	1,380
— service apartments	1,299	1,353
— storage and workshop	21,993	17,964
— wine cellar	3,255	3,814
Interest income from provision of finance	1,490	2,517
	28,804	27,028
Total revenue	188,990	42,151



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

(A) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Segments	Sales of properties		Provision of property management services		Wine business		Construction and fitting out works		Provision of media production services		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021	30.6.2022	30.6.2021	30.6.2022	30.6.2021	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of properties	149,910	–	–	–	–	–	–	–	–	–	149,910	–
Provision of property management and security services	–	–	5,181	4,818	–	–	–	–	–	–	5,181	4,818
Construction and fitting out works	–	–	–	–	–	–	2,012	2,121	–	–	2,012	2,121
Trading of fine wine	–	–	–	–	2,724	7,871	–	–	–	–	2,724	7,871
Provision of media production services	–	–	–	–	–	–	–	–	359	313	359	313
Total	149,910	–	5,181	4,818	2,724	7,871	2,012	2,121	359	313	160,186	15,123
Geographical market												
Hong Kong	149,910	–	5,181	4,818	2,724	7,871	2,012	2,121	359	313	160,186	15,123
Timing of revenue recognition												
A point in time	149,910	–	–	–	2,724	7,871	–	–	–	–	152,634	7,871
Over time	–	–	5,181	4,818	–	–	2,012	2,121	359	313	7,552	7,252
Total	149,910	–	5,181	4,818	2,724	7,871	2,012	2,121	359	313	160,186	15,123

(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 and security services
4. Construction and fitting out works — provision of construction and fitting out works
5. Provision of finance — provision of financing services to property buyers
6. Wine business — sales of fine wine and rental income from leasing of wine cellars
7. Provision of media production services — provision of media production services in marketing, advertisement and organisation of music concerts



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

(B) SEGMENT INFORMATION (Continued)

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	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property development	149,910	—	24,669	(5,905)
Property investment	24,059	20,697	54,354	797
Provision of property management services	5,181	4,818	1,930	1,037
Construction and fitting out works	2,012	2,121	270	143
Provision of finance	1,490	2,517	(2,892)	1,641
Wine business	5,979	11,685	1,183	1,770
Provision of media production Services	359	313	(116)	118
	188,990	42,151	79,398	(399)
Unallocated income			902	5,005
Unallocated expenses			(12,330)	(25,435)
Finance costs			(4,009)	(3,532)
Profit/(loss) before tax			63,961	(24,361)

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

(B) SEGMENT INFORMATION (Continued)

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

	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Segments assets		
Property development	4,306,940	4,030,625
Property investment	1,118,905	1,043,632
Provision of property management services	3,595	1,916
Construction and fitting out works	2,104	2,893
Provision of finance	100,072	100,957
Wine business	63,792	60,635
Media production services	1,062	863
Total segment assets	5,596,470	5,241,521
Unallocated assets	37,328	59,583
Consolidated total assets	5,633,798	5,301,104
Segments liabilities		
Property development	3,103,586	2,914,247
Property investment	687,189	588,118
Provision of property management services	510	186
Construction and fitting out works	15,021	31,406
Provision of finance	176,794	148,633
Wine business	51,731	50,184
Media production services	1,187	774
Total segment liabilities	4,036,018	3,733,548
Unallocated liabilities	152,468	185,300
Consolidated total liabilities	4,188,486	3,918,848



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

(B) SEGMENT INFORMATION (Continued)

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

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss, 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.

5. OTHER INCOME

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income earned on bank balances and pledged bank deposits	65	106
Temporary rental income from properties held for sales	9,522	7,885
Wavier of an amount due to a related company	—	7,009
Others	2,819	1,073
	12,406	16,073



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6. FINANCE COSTS

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
Borrowings	38,028	24,842
Advance from a director	3,684	1,225
Interest on lease liabilities	1,592	1,364
Imputed interest on convertible bonds	3,146	2,916
Total borrowing costs	46,450	30,347
Less: amount capitalised in cost of qualifying assets	(39,790)	(14,064)
	6,660	16,283

Borrowing costs capitalised at rate ranging from 2.20% to 12.52% (for the six months ended 30 June 2021: 1.39% to 5.0%) per annum during the period arose on the specific and general borrowings for the expenditure on each property development.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7. PROFIT/(LOSS) BEFORE TAX

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) before tax has been arrived at after charging/(crediting):		
Directors' emoluments	1,105	3,286
Other staff costs		
— Salaries and other allowances	13,032	11,348
— Retirement benefit scheme contributions	700	585
Total staff costs	14,837	15,219
Less: capitalised in properties held for sale	(1,144)	(1,860)
	13,693	13,359
Auditors' remuneration	431	403
Cost of inventories recognised as an expense	122,084	6,778
Depreciation of property, plant and equipment	494	511
Depreciation of right-of-use assets	344	959
Loss on dissolution of a subsidiary	202	—
Reversal of impairment loss of trade and lease receivables	(564)	—

8. INCOME TAX EXPENSE

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax — current tax	3,616	1,099
Deferred taxation	(40)	—
	3,576	1,099



8. INCOME TAX EXPENSE (Continued)

The group entities in Hong Kong are subject to Hong Kong Profits tax. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity in Hong Kong will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The group entities in South Korea are subject to Korean Corporate Income Tax which comprises national and local taxes (collectively "Korean Corporate Income Tax"). Korean Corporate Income Tax is charged at the progressive rate from 10% to 25% on the estimated assessable profit of eligible entities derived worldwide. No provision on Korean Corporate Income Tax has been provided as there is no estimated assessable profits during both periods.

9. DIVIDEND

During the current period, the directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2021.

The directors of the Company do not recommend the payment of any interim dividend for both the six months ended 30 June 2022 and 30 June 2021.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	61,424	(26,041)
Effect of dilutive potential ordinary shares:		
— Interest on convertible bonds (net of tax) (Note (b))	3,146	—
Profit/(loss) for the period attributable to owners of the Company for the purpose of diluted earnings/(loss) per share	64,570	(26,041)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	641,498	641,498
Effect of dilutive potential ordinary shares:		
— Outstanding share options issued by the Company (Note (a))	—	—
— Convertible bonds (Note (b))	836,000	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	1,477,498	641,498

Notes:

- (a) The computation of diluted earnings per share for the six months ended 30 June 2022 does not assume the exercise of the Company's all share options because the exercise price of those options was higher than the average market price for shares for the six months ended 30 June 2022.
- (b) For the six months ended 30 June 2021, no diluted loss per share was calculated as the potential dilutive ordinary shares arising from convertible bonds and share options have an anti-dilutive effect on the basic loss per share amount presented.



11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group spent approximately HK\$482,000 (for the six months ended 30 June 2021: approximately HK\$148,000) on plant and equipment and there was no disposal of plant and equipment (for the six months ended 30 June 2021: Nil).

12. LOAN RECEIVABLES

	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Loan receivables (<i>Note</i>)	92,696	73,396
Analysis as:		
– Non-current portion	66,499	53,048
– Current portion (<i>note 14</i>)	26,197	20,348
	92,696	73,396

Note:

As at 30 June 2022, the balance included: (i) variable-rate loan receivables amounting to approximately HK\$79,446,000 (31 December 2021: approximately HK\$72,996,000) which are interest bearing at a range of 3% to 7% (31 December 2021: 3.25% to 7%) per annum; and (ii) a fixed-rate loan receivable amounting to HK\$13,250,000 (31 December 2021: HK\$400,000) which is interest bearing at 1% (31 December 2021: 12%) per annum. All loans are secured by property units of the borrowers.

Loans are provided to borrowers at a range of 49% to 80% (31 December 2021: 60% to 80%) of sale consideration of the pledged property units. The directors of the Company consider that the fair values of the collaterals are higher than the carrying amount of loan receivables at both 30 June 2022 and 31 December 2021.

As at 30 June 2022 and 31 December 2021, all the loan receivables are neither past due nor impaired.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Unlisted investment fund	(a)	6,192	5,354
Unlisted participation note	(b)	1,519	1,519
Derivative financial instrument – redemption option	(c)	34,968	34,968
Total		42,679	41,841
Classified as:			
Financial assets at fair value through profit or loss (“FVTPL”):			
– Non-current		7,711	6,873
– Current		34,968	34,968
		42,679	41,841

Notes:

- (a) The Group subscribed an unlisted private equity fund at cost of HK\$5,000,000, representing 10% of the total fund size. The Group has recognised a fair value gain of HK\$838,000 (for the six months ended 30 June 2021: fair value loss of HK\$96,000) in respect of the changes in fair value in the profit or loss. The fair value of this unlisted fund investment was measured using valuation technique with significant unobservable inputs and hence was classified as level 3 of the fair value hierarchy.
- (b) As at 30 June 2022, the unlisted participation note is at a fair value of HK\$1,519,000 (31 December 2021: HK\$1,519,000). No change in fair value has been recognised in the profit or loss (for the six months ended 30 June 2021: Nil). The fair value of this unlisted participation note was measured using valuation technique with significant unobservable inputs and hence was classified as level 3 of the fair value hierarchy.
- (c) The balance represents the redemption derivative component in relation to the convertible bonds (note 17).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>Notes</i>	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Trade receivables	<i>(a)</i>	4,410	5,064
Lease receivables	<i>(a)</i>	7,936	8,157
		12,346	13,221
Less: Allowance for credit losses		(1,053)	(1,617)
		11,293	11,604
Deposits, other receivables and prepayments			
– Loan receivable (<i>note 12</i>)		26,197	20,348
– Loan interest receivables		242	151
– Rental deposits and other receivables		37,576	22,957
– Other deposits	<i>(b)</i>	34,179	–
– Prepayments		14,081	24,402
		112,275	67,858
		123,568	79,462
Classified as:			
– Non-current	<i>(b)</i>	34,179	–
– Current		89,389	79,462
		123,568	79,462



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

- (a) Customers from trading of fine wine are granted with credit term of 7 days. No credit term is allowed for trade receivables from property management services, construction and fitting out works, media production services and lease receivables.

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

	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
0-30 days	4,289	4,468
31-90 days	3,191	1,792
91-180 days	1,838	1,871
181-365 days	1,663	2,486
Over 365 days	312	987
	11,293	11,604

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

- (b) Other deposits represent deposits paid for acquisition of a property development project in Korea jointly with two independent third party companies.

15. TRADE AND OTHER PAYABLES

	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Retention payables (Note)	32,882	26,435
Other payables, deposits received and accruals		
– Rental deposits received	31,212	21,287
– Accrued construction costs	205,723	118,247
– Accrued bonus	—	2,411
– Accrued agency commission	4,095	—
– Accrued management fees	852	2,808
– Accrued legal and professional fees	798	6,375
– Interest payables	12,301	14,590
– Received in advance of rental income	21,405	20,137
– Others	25,156	6,654
	334,424	218,944

Average credit period granted to the Group is 60 to 90 days (31 December 2021: 60 to 90 days). As at 30 June 2022, all trade payables were aged within 30 days based on invoice date (or date of cost recognition, if earlier).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. TRADE AND OTHER PAYABLES (Continued)

Note:

As at 30 June 2022, retention payables amounting to HK\$23,879,000 (31 December 2021: HK\$22,295,000) was aged within one year while the remaining amount of HK\$9,003,000 (31 December 2021: HK\$4,140,000) was aged one to two years. All retention payables as at 30 June 2022 and 31 December 2021 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

16. BORROWINGS

	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Borrowings from financial institutions	575,722	541,651
Bank borrowings	2,618,841	2,700,335
	3,194,563	3,241,986
Analysis as:		
– Non-current portion	1,231,731	1,102,332
– Current portion	1,962,832	2,139,654
	3,194,563	3,241,986
Scheduled payment terms of bank borrowings and borrowing from a financial institution contain a repayment on demand clause (shown under current liabilities):		
– Within one year	1,418,563	1,159,647
– In more than one year but not more than two years	185,371	624,244
– In more than two years but not more than five years	70,192	108,693
– More than five years	51,210	53,647
	1,725,336	1,946,231
Scheduled payment terms of bank borrowings and borrowing from a financial institution without demand clause:		
– Within one year	237,496	193,423
– In more than one year but not more than two years	1,178,036	1,046,346
– In more than two years but not more than five years	53,695	55,986
	1,469,227	1,295,755



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. BORROWINGS (Continued)

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

	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Variable-rate borrowings:		
Within one year	1,487,149	1,214,157
In more than one year but not more than two years	1,204,407	1,540,589
In more than two years but not more than five years	123,887	164,680
More than five years	51,210	53,647
Fixed-rate borrowings:		
Within one year	168,910	138,913
In more than one year but not more than two years	159,000	130,000
	327,910	268,913
	3,194,563	3,241,986

The Group's variable-rate borrowings carry interest at Hong Kong Interbank Offered Rate, Hong Kong Prime Lending Rate and three-month certificate of deposit rate in South Korea.

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

	30.6.2022 (Unaudited)	31.12.2021 (Audited)
Effective interest rates:		
– Fixed-rate borrowings	4.20%-7.50%	4.20%-7.50%
– Variable-rate borrowings	1.54%-12.52%	1.35%-12.15%



16. BORROWINGS (Continued)

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

	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Properties held for sale		
– Under development for sale, at cost	3,442,367	3,321,759
– Completed, at cost	872,685	550,068
	4,315,052	3,871,827
Investment properties	844,275	911,230
Pledged bank deposits	10,000	10,403
	5,169,327	4,793,460

Certain credit facilities of the Group are subject to the fulfilment of covenants relating to certain financial ratios of the Group, total equity, the amount of capital expenditure incurred on development projects and shareholding of the Company's director, Mr. Joe Chan in the Company of not less than 60%. If the Group breaches the covenants, the drawn down facilities will become repayable on demand. The Group regularly monitors its compliance with these covenants.

As at 30 June 2022 and 31 December 2021, none of the bank covenants relating to drawn down facilities had been breached.

17. CONVERTIBLE BONDS

On 22 October 2020, the Company issued 3% convertible bonds with nominal value of HK\$418,000,000. The convertible bonds are perpetual in term and have no maturity date with a principal amount denominated in HK\$ of HK\$418,000,000. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK\$0.5 per conversion share (subject to the adjustments in accordance with the terms of the convertible bonds) at any time during the period commencing from the date of issue of the convertible bonds up to the date which falls on the 10th anniversary of the date of issue of the convertible bonds to the extent all or part of the convertible bonds remain outstanding.

The coupon shall accrue on the outstanding principal amount of the convertible bonds and be payable annually subject to the Company's sole discretion to defer the coupon payment for a maximum period of 10 years from the date when the relevant coupon payment fall due by giving notice to the holders of the convertible bonds. In the opinion of directors, the liability component of the convertible bonds are regarded as non-current liabilities. The convertible bonds that contain liability, redemption option and conversion option components were classified separately into their respective items on initial recognition.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. CONVERTIBLE BONDS (Continued)

At the end of the reporting period, the fair value of the redemption option was determined by the difference between the fair value of equivalent convertible bonds with redemption option and without redemption option. The effective interest rate of the liability component on initial recognition and the subsequent recognition of interest expense on the convertible bonds was calculated using effective interest rate of 7.87% per annum. There was no redemption and conversion of the convertible bonds since its issuance.

The movements of the components of the convertible bonds during the period and prior year are set out below:

	Redemption derivative component HK\$'000	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
As at 1 January 2021 (Audited)	35,590	(75,800)	(313,698)	(353,908)
Effective imputed interest expense recognised	—	(5,969)	—	(5,969)
Change in fair value	(622)	—	—	(622)
As at 31 December 2021 (Audited)	34,968	(81,769)	(313,698)	(360,499)
Effective imputed interest expense recognised	—	(3,146)	—	(3,146)
As at 30 June 2022 (Unaudited)	34,968	(84,915)	(313,698)	(363,645)

The fair value measurement of the redemption option derivative component is a Level 3 fair value measurement.

The major inputs for the valuation of the fair value of the redemption option derivative component of the convertible bonds as at 30 June 2022 and 31 December 2021 are as follows:

	30.6.2022 (Unaudited)	31.12.2021 (Audited)
Share price	0.485	0.395
Conversion price	HK\$0.5	HK\$0.5
Risk-free rate	3.50%	1.58%
Volatility	60.08%	62.76%



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. SHARE CAPITAL

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

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 30 June 2022	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 30 June 2022	641,498,000	6,415

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

19. CAPITAL COMMITMENTS

	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Capital expenditure in respect of the property development projects contracted for but not provided	294,924	369,884



20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group's investment properties and financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. During the six months ended 30 June 2022, there were no transfers between level 1 and 2, nor transfers into and out of level 3.

The valuation techniques as at 30 June 2022 are as follows:

Information about level 3 fair value measurements

The fair value of redemption option is measured based on assumptions set out in note 17.

The fair values of unlisted investment funds and unlisted participate note are measured based on net asset value of underlying investments in the fund or the note determined by external counter parties.

There were no changes in valuation techniques during both periods.

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

21. RELATED PARTY DISCLOSURES

(I) TRANSACTIONS

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

Name of related parties	Nature of transactions	Six months ended	
		30.6.2022 HK\$'000 (Unaudited)	30.6.2021 HK\$'000 (Unaudited)
Mr. Joe Chan (director)	Finance costs (Note (a))	3,684	1,225
	Service income (Note (b))	(9)	(9)
Mr. Liu Hon Wai (director)	Sales commission (Note (c))	—	160
Vogue City Limited ("Vogue City")	Expenses related to short-term lease for a motor vehicle (Note (d))	68	30
M Beauty (H.K.) Limited ("M Beauty")	Entertainment expense (Note (e))	—	6
	Cleaning expense (Note (f))	20	23
	Service income (Note (b))	(60)	—
	Office supplies (Note (f))	31	—
Rabbit & Turtle Company Limited ("Rabbit")	Rental expenses (Note (g))	139	—
	Consultancy fee (Note (h))	1,173	—
Galaxy Asset Management Hong Kong Limited ("Galaxy Asset")	Service income (Note (b))	(52)	—



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

21. RELATED PARTY DISCLOSURES (Continued)

(I) TRANSACTIONS (Continued)

Notes:

- (a) *The loan from a director carried interest at 5.5% per annum for the six months ended 30 June 2022 (six months ended 30 June 2021: 4.5%-5.5% per annum).*
- (b) *Service income is received from Galaxy Asset, Mr. Joe Chan and M Beauty at a price agreed by the counter parties.*
- (c) *The sales commission is determined based on the agreed terms as set out in the letter of employment.*
- (d) *Expenses related to short-term lease for a motor vehicle represented the leasing of a motor vehicle from Vogue City at a price agreed by both parties.*
- (e) *Entertainment expense represented providing beauty products as gifts to the customer at a price agreed by both parties.*
- (f) *Expenses related to cleaning and office supplies payable to M beauty were determined based on a price agreed between both parties.*
- (g) *The rental expenses or payments charged were based on office areas occupied by the Group and at a rent agreed by both parties.*
- (h) *Consultancy fee payable to Rabbit was determined based on agreed terms set out in relevant consultancy agreements.*

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.

22. SUBSEQUENT EVENT

On 25 May 2022, the subsidiaries of the Group as vendors entered into the sale and purchase agreements with an independent third party purchaser to sell the properties held for sale located in Korea of the Group (the “**Transaction**”). The total consideration under the agreements is 184 billion Korean won (“**KRW**”) (equivalent to approximately HK\$1,150 million) and an initial deposit of KRW18 billion (equivalent to approximately HK\$112 million) had been received by the subsidiaries during the six months ended 30 June 2022. Details of the Transaction are set out in the Company’s announcement dated 25 May 2022.

The Transaction was completed in July 2022. The management is in the course of assessing the financial impact of the Transaction on the consolidated financial statements for the year ending 31 December 2022 of the Company.

