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

ANNUAL REPORT
2022

CONTENTS

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

Unit 603, 6/F, Tower 1, Admiralty Centre
18 Harcourt Road, Admiralty, 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. Yim Kwok Man (嚴國文)
Mr. Tsui Wing Tak (徐穎德) (Appointed on 7 February 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Cheung Wai Shuen (FCG HKFCG)

AUDIT COMMITTEE

Ms. Chan Wah Man Carman *(Chairlady)*
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 *(Chairlady)*
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

Fubon Bank
Fubon Bank Building
38 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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Star Group Company Limited (the "**Company**", together with the subsidiaries, the "**Group**" or "**Star Group**"), I am pleased to present the annual report of the Company for the year ended 31 December 2022. For the year, the Group recorded a total revenue of approximately HK$1,699.3 million, representing an increase of approximately HK$1,620.9 million from approximately HK$78.4 million of total revenue reported for the year ended 31 December 2021. The net profit attributable to shareholders was HK$329.9 million for the year ended 31 December 2022 and basis earnings per share was HK51.43 cents.

During the year, despite the COVID-19 impact on the operation, the Group has achieved several major milestones under the property development segment: (1) successful completion of the disposal of three Korean Projects of Corner 19, Corner 25 and Corner 50; (2) successful completion of the construction of the building known as The Cloud and the building has also with an occupation permit obtained on 11 March 2022 from the Buildings Department. The Sale completion and revenue recognition have taken place in the second quarter of 2022; and (3) smooth progress of the construction of After the Rain Project (the "**ATR**") (formerly known as Yuen Long Site Project) for which the occupation permit investigation was held in January 2023 and presale permit was granted by the Lands Department on 13 February 2023.

In 2023, the Company focuses on presale of the first residential project in Yuen Long, ATR. The new residential complex with some ground floor-shops is expected to be completed by the second half of 2023 or before. The Company will also finalise the feasibility study of the land site at 107-109 Wai Yip Street in Kwun Tong. In South Korea, the associate of the Company has secured a new site in Seongsu #268-2, 4 & 5 of Seoul, South Korea ("**Big Triangle Project**"), and plan to rebuild it into a high-end commercial complex.

For the Metropolitan Lifestyle business, the fourth Metropolitan Wine Cellar will be launched in the first quarter of 2023.

For the Galaxy Capital business, the Company plan to form investment funds that will invest in property development projects or involve in structural or financing deals.

In the coming year of 2023, the Company will continue to build Star Group into a profitable, innovative, and purposeful brand, which is not only a property developer but also a multi lifestyle business service provider, as well as a capital market participant. Financially, the Company will continue the efforts to deliver attractive returns to our shareholders and meaningful job opportunities to our employees. Through multiple initiatives and marketing campaigns, the Company will also continue to contribute to society through its commitments on creativity, entrepreneurship, and protection of the environment.

Finally, I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their continuous support and trust; and my fellow directors for their concerted efforts and insights throughout the years; and the management team and all other colleagues at Star Group for their unwavering commitment and hard work.

Chan Man Fai Joe
Chairman

29 March 2023

FINANCIAL RESULT

For the year ended 31 December 2022, the Group's revenue and profit attributable to owners of the Company amounted to approximately HK$1,699.3 million (For the year ended 31 December 2021: approximately HK$78.4 million) and approximately HK$329.9 million (For the year ended 31 December 2021: loss attributable to owners of the Company amounted to approximately HK$37.1 million), respectively.

FINAL DIVIDENDS

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

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 brand name of "Metropolitan".

The Group's revenue for the year ended 31 December 2022 amounted to approximately HK$1,699.3 million (For the year ended 31 December 2021: approximately HK$78.4 million), which represented an increase of approximately HK$1,620.9 million compared with last year. Profit attributable to owners of the Company for the year ended 31 December 2022 was approximately HK$329.9 million (For the year ended 31 December 2021: loss attributable to owners of the Company of approximately HK$37.1 million), which represented an increase of approximately HK$367.0 million from last year. Both the increase in revenue and profit attributable to owners of the Company were mainly due to the completion and delivery of three buildings of development project in South Korea and the property and carpark units of The Rainbow and The Cloud (compared with no completion and delivery of units from the property development project for the year ended 31 December 2021) during the year ended 31 December 2022. The basic and diluted earnings per share for the year were approximately HK51.43 cents and HK24.40 cents, respectively, as compared to basic and diluted loss per share of approximately HK5.79 cents and HK5.79 cents, respectively, for the corresponding period of last year. The review of the individual business segment of the Group is set out below.

PROPERTY DEVELOPMENT

Revenue was recognised in this business segment for the year ended 31 December 2022 was approximately HK$1,619.2 million (For the year ended 31 December 2021: Nil). As at 31 December 2022, the Group had seven completed projects, namely, (a) The Galaxy; (b) The Star; (c) The Rainbow; (d) The Cloud; (e) Corner 19; (f) Corner 25; and (g) Corner 50; and two major projects under development, namely, (h) After the Rain; and (i) Kwun Tong Site Project. A general summary and update of the property development projects of the Group during the year ended 31 December 2022 and as at 31 December 2022 are listed below:

Hong Kong Projects:

(a) The Rainbow: During the year ended 31 December 2022, the sales of completed units and the temporary rental income from properties held for sale recognised was amounted to approximately HK$56.2 million and HK$14.1 million, respectively (For the year ended 31 December 2021: no revenue was recognised from completion and delivery of unit; and the revenue generated through temporary rental income of properties held for sale recognised was amounted to approximately HK$15.7 million).

(b) 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 was 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 taken place in the second quarter of 2022. During the year ended 31 December 2022, revenue of approximately HK$402.9 million was recognised from completion and delivery of 187 property and carpark units of the project (For the year ended 31 December 2021: Nil).

(c) After The Rain Project: The Group is redeveloping 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 was completed in the first quarter of 2023, and occupation permit is expected to be granted around the end of March 2023. In the meantime, pre-sale permit is granted at the end of February 2023 and the pre-sale has started in March 2023. The construction process is expected to be completed in the second half of 2023.

(d) Kwun Tong Site Project: The Group intends to redevelop it into a new stylish and prestigious industrial/office building with gorgeous sea views. Hoarding and demolition work of the existing building commenced in the third quarter of 2019. The building is intended to develop in the third quarter of 2023. Upon the completion of the property redevelopment work, the Group intends to sell the property to generate revenue.

South Korea, Seoul Projects:

(e) Corner 19 Project: The site is located in Seongsu area of Seoul, South Korea. The construction of the building was completed and government approval was granted on 2 November 2021. In order to attract institutional purchasers and increase the value of the building, the Group was in the progress to temporarily lease out all floors to create a stable and high yield to the building. The Group sold the whole building to generate revenue in third quarter of 2022.

(f) 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 sold the whole building to generate revenue in third quarter of 2022.

(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 the second quarter of 2020 and the construction process was completed in the third quarter of 2022. The Group sold the whole building to generate revenue in third quarter of 2022.

(h) Big Triangle project: The site is located in Seongsu area of Seoul, South Korea and the project will be redeveloped into a high end prestigious office and retail complex by an associate set up by the Group and two independent third parties during the year ended 31 December 2022. The Group acquired the project as investment in an associate in 2022. The acquisition of land and design works of the project have been initiated since the third quarter of 2022 and were completed in first quarter of 2023. The project's demolition work is expected to complete in second quarter of 2023 and construction work is expected to complete in first quarter of 2026.

PROPERTY INVESTMENT

The Group is engaged in property investment for sale, rental or capital appreciation. Partial of the rental revenue is generated from provision of serviced apartments; co-working spaces and storage under the brand of "Metropolitan".

Revenue recognised in this business segment during the year ended 31 December 2022 amounted to approximately HK$46.3 million (For the year ended 31 December 2021: approximately HK$41.8 million), representing an increase of approximately HK$4.5 million compared with 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 year ended 31 December 2022 amounted to approximately HK$2.9 million (For the year ended 31 December 2021: approximately HK$2.5 million), which represented an increase of approximately HK$0.4 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 year ended 31 December 2022 amounted to approximately HK$42.8 million (For the year ended 31 December 2021: approximately HK$37.8 million), which represented an increase of approximately HK$5.0 million compared with the corresponding period of last year.

As at 31 December 2022, the total carrying value of the Group's portfolio of investment properties, amounted to approximately HK$883.0 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 and South Korea of HK$834.7 million (31 December 2021: approximately HK$988.3 million), and right-of-use assets ("**ROU**") that meet the definition of investment properties of HK$48.3 million (For the year ended 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$838.0 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 and South Korea of HK$800.7 million (31 December 2021: HK$954.3 million); and ROU that meet the definition of investment properties of HK$37.3 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 and security services for our four completed projects The Galaxy, The Star, The Rainbow and The Cloud; two commercial buildings at Sheung Wan; and a residential building located at Happy Valley. Revenue recognised in this business segment for the year ended 31 December 2022 amounted to approximately HK$10.4 million (For the year ended 31 December 2021: approximately HK$7.5 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 providing credit facilities to individuals and corporations clients for its own development commercial and industrial projects. Revenue generated from this business segment for the year ended 31 December 2022 amounted to approximately HK$3.5 million (For the year ended 31 December 2021: HK$4.5 million), representing a decrease of approximately HK$1.0 million over the corresponding period of last year. The slight decrease in revenue was mainly attributable 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

As a Registered General Building Contractor, the Group provides construction services for its own projects and fitting out works for the owners of the properties which are managing by the Group. Revenue generated from this business segment for the year ended 31 December 2022 amounted to approximately HK$6.5 million (For the year ended 31 December 2021: HK$3.9 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 cost.

WINE BUSINESS

The Group 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 services through Metropolitan Wine Cellar. Revenue recognised in this business segment for the year ended 31 December 2022 amounted to approximately HK$12.8 million (For the year ended 31 December 2021: approximately HK$19.0 million), which represented a decrease of approximately HK$6.2 million compared with the corresponding period of last year. In the first quarter of 2023, the forth wine cellar was launched at room 404A, Block B, Seaview Estate. The revenue from Metropolitan Wine Cellar is expected to increase going forward.

The total carrying value of the Group's portfolio of investment properties categorized under wine business segment amount to approximately HK$45.0 million (31 December 2021: approximately HK$36.7 million), which comprise a unit in industrial building located in 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$11.0 million (31 December 2021: HK$2.7 million).

PROVISION OF MEDIA PRODUCTION SERVICES

The Group operates this business segment through Metropolitan Production by provision of marketing solution and consultancy services including production of film or advertisement; organisation of media events or music concerts; artist management, etc. Revenue recognised in this business segment for the year ended 31 December 2022 amounted to approximately HK$0.6 million (For the year ended 31 December 2021: approximately HK$1.7 million).

FUND INVESTMENT AND MANAGEMENT

Also, the total carrying value of the Group's funds investment, amounted to approximately HK$6.1 million (31 December 2021: approximately HK$6.9 million). The decrease of approximately HK$0.8 million was mainly due to redemption of certain interest in the fund investment of approximately HK$0.9 million during the year ended 31 December 2022. 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.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 31 December 2022 was approximately HK$1,717.3 million (31 December 2021: approximately HK$1,382.3 million). As at 31 December 2022, the Group maintained bank balances and cash of approximately HK$57.5 million (31 December 2021: approximately HK$94.0 million). The Group's net current assets of approximately HK$797.4 million as at 31 December 2022 (31 December 2021: approximately HK$1,545.5 million). The Group had current assets of approximately HK$4,013.2 million as at 31 December 2022 (31 December 2021: approximately HK$4,180.7 million). The decrease in current assets was mainly due to decrease in deposit received from pre-sales of properties kept at stakeholders' account and properties classified as properties held for sale. The Group had current liabilities of approximately HK$3,215.9 million as at 31 December 2022 (31 December 2021: approximately HK$2,635.1 million). The increase of current liabilities was mainly due to increase in borrowings and amount due to a director.

The Group generally finances its operations with internally generated cashflow, convertible bonds and borrowings from banks and financial institutions. As at 31 December 2022, the Group had convertible bonds issued by the Company with liability portion of HK$88.2 million (31 December 2021: HK$81.8 million); and outstanding borrowings of approximately HK$2,691.9 million (31 December 2021: approximately HK$3,242.0 million). The borrowings as at 31 December 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) decreased from approximately 234.5% as at 31 December 2021 to approximately 156.7% as at 31 December 2022 and decreased from approximately 227.7% as at 31 December 2021 to approximately 153.4% as at 31 December 2022, respectively, due to the decrease in borrowings as a result of repayments as well as the increase in the profit attributable to owners of the Company.

The Group's debt-to-assets ratio (defined as total borrowings net of cash and cash equivalents divided by total assets) decreased from approximately 59.4% as at 31 December 2021 to approximately 51.6% as at 31 December 2022 due to a decrease in total borrowings of the Group.

The Group's capital commitment as at 31 December 2022 amounted to approximately HK$744.3 million (31 December 2021: approximately HK$369.9 million). The increase of capital commitment was mainly due to sale and purchase agreements for land acquisition and construction contracts entered into by the Group for a property development project in South Korea (note 22(c)).

The Group has no significant contingent liabilities as at 31 December 2022. 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 treasury management policy so that the financial resources are reviewed from time to time to ensure the Group's smooth operation and loan repayment obligations. Therefore, the management of the Group is of the opinion that the Group's financial structure and resources are healthy and sufficient for meeting its needs on operation, potential investment and to cope with market changes.

CAPITAL STRUCTURE

There were no movements in the Company's share capital during the year ended 31 December 2022 (For the year ended 31 December 2021: Nil).

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 year ended 31 December 2022.

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 has disposed of three buildings; and also reinvested certain proceeds into a development site in South Korea in the year ended 31 December 2022. 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. During the year ended 31 December 2022, the Group recorded exchange loss of approximately HK$86.2 million (For the year ended 31 December 2021: HK$16.6 million). The increase was mainly due to realised exchange loss on profit distributions made by the subsidiaries in South Korea to the Group.

Management of the Group is of the opinion that this exchange loss on profit distributions is one-off in nature as the Group has no mature development projects in South Korea which will have profit distribution to the Group in coming two years.

As at 31 December 2022, offshore bank borrowings were approximately Korean Won 0.2 billion, which is approximately HK$1.0 million (31 December 2021: approximately Korean Won 38.1 billion, which is approximately HK$249.4 million), as working capital loan (31 December 2021: land loan, construction loan and project loan for the development projects in South Korea). The offshore borrowings were repaid after the completion and disposal of South Korea Projects in the year ended 31 December 2022. The interest rate of these bank borrowings was at 5.1% as at 31 December 2022 (31 December 2021: ranged from 3.15% to 4.20%).

Apart from this, 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 liquidity on its local operation 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 2022, the Group's investment properties and properties held for sale, as well as pledged bank deposit with carrying value of approximately HK$834.7 million and HK$3,841.6 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 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

During the year ended 31 December 2022, the Group invested into a new development project, Big Triangle Project, by setting up an associate company, Bigtriangle PFV Co. Ltd., (the "**Associate**") with two independent third parties in South Korea. The Associate intends to redevelop it into a high end prestigious office and retail complex. For details of the investment in an associate, please refer to note 18 to the consolidated financial statements.

Save as disclosed elsewhere in this report, there was no significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the reporting period and the Group did not have other plans for material investments or capital assets as of 31 December 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed 122 employees (31 December 2021: 104 employees) and appointed 7 Directors (31 December 2021: 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 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 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 the supply and price level of bank borrowings may have significant impact to the cost of our development projects; (iii) industry risk which mainly refers to the continuing 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 e.g. property cooling measures imposed by the Government from time to time; (v) suppliers risk such as the 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 also (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 review 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 staffs; 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 staffs, 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 31 December 2022, the financial impact of COVID-19 pandemic on the Group is not significant.

PROSPECT

During the year ended 31 December 2022, the global economic environment continued to face challenges, including interest rate hikes, inflation, and volatility in the foreign exchange market as well as dampened consumer sentiment. In particular, the intermittent waves of resurgence of the pandemic in Mainland China and Hong Kong further impeded the pace of economic recovery. The Group remained focused on improving business performance and operational efficiencies during the uncertain time. Macro headwinds in the global economy started to recede as countries began to relax pandemic-related restrictions, boosting global economic activities and stimulating international travel.

Inflation was still one of the hottest topics in the capital and stock market in the United States all along the way in these two years. Nevertheless, the hawkish interest rate policy under such high inflation rate has been bringing another economic issue to the United States. According to the outlook report released by U.S. Bureau of Economic Analysis, the American economy improved in second half of 2022 as the real GDP increased 2.1 percent in 2022, compared with a shrank annualized 0.9% in real GDP on quarter in the second quarter of 2022. 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.

Historically speaking, rising interest rate is negative for the property market in Hong Kong. That will add to the interest burden of homeowners or other property buyers. 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.

The HKSAR Government has put in place new institutional set-ups and initiated an array of schemes targeted at attracting talents and businesses to Hong Kong. Apart from actively nurturing and retaining local talents, the new initiatives include the launch of the Top Talent Pass Scheme, streamlining the General Employment Policy and the Admission Scheme for Mainland Talents and Professionals, suspending the annual quota under the Quality Migrant Admission Scheme, relaxing the Immigration Arrangements for Non-local Graduates, and enhancing the Technology Talent Admission Scheme. These timely measures not only enable eligible incoming talents to enhance Hong Kong's competitiveness, lending further support to the local property market. Furthermore, the adjusted value bands for ad valorem stamp duty as announced in The 2023/24 Budget of HKSAR Government in last February 2023 would ease the burden on ordinary families of purchasing their first residential properties, particularly small and medium residential units. Fuelled by the government's efforts as mentioned above, the Group maintains a cautiously optimistic view of the property market in Hong Kong.

With the recent full border reopening between Mainland China and Hong Kong as well as removal of travel curbs, cultural exchanges and economic activities between the two markets are expected to resume and thrive, leading to an appreciable economic recovery. Mainland China stays committed to opening up, and will continue to drive forward and create an even brighter future through key national strategies such as the 14th Five-Year Plan and the development of the Guangdong Hong Kong-Macao Greater Bay Area ("**GBA**"). Mainland China will undoubtedly remain an important growth engine for the global economy. The Northern Metropolis Development strategy will strengthen our links with the GBA and provide a new commercial centre for the city with innovation and technology facilities and infrastructure. Hong Kong will continue to serve as a powerful hub for cross-border trade and leisure travels as the economies of the GBA cities continue to expand.

In Seoul, South Korea, where we have recorded a remarkable financial performance for successful sales of Corner 19, Corner 25 and Corner 50 projects in the year ended 31 December 2022 despite followed by economic recession since the start of the fourth quarter of 2022. According to the Knight Frank Property Research Report, South Korea, is still one of the most focused Asian countries which would attract global cross boarder capital to invest in 2023. In 2023, we expect conditions in South Korea to improve in the second half of the year as global demand begins to pick up and the deleveraging cycle comes to an end.

In coming 2023, the Group is pleased to observe positive developments in various markets and sectors, while acknowledging the importance of staying vigilant in monitoring the changing markets while getting prepared for a meaningful recovery. Also, the reopening of China's borders will provide support for the residential market in Hong Kong and we believe the price of the residential property will remain stable and gradually rebound throughout this year.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chan Man Fai Joe (陳文輝), aged 64, is an executive Director since 14 March 2016. He is also the chairman, chief executive officer and one of the controlling shareholders of the Company. Mr. Chan is also the chairman of the nomination committee and executive committee. He is also a member of the remuneration committee and the risk control committee focusing on business risk. Mr. Chan is primarily responsible for the overall management, strategic planning, business strategies and corporate development of the Group. Mr. Chan has over 40 years of advisory and trading experience at leading financial institutions and has extensive experience in the property market. Mr. Chan plays an instrumental role in defining our investment strategies and capital and strategic development. His years of experience in securities and financial sectors as well as the property market have enabled him to develop insights in the macro economic environment and the market trend which may help the Group identify themes and opportunities in the marketplace. Mr. Chan has undertaken to devote sufficient time and attention to the overall management, strategic planning and corporate development of the Group. Mr. Chan received his degree of Bachelor of Social Sciences from The University of Hong Kong in November 1982 and his degree in Master of Business Administration from The Wharton School, University of Pennsylvania, U.S. in May 1987. Mr. Chan did not hold any other directorships in listed public companies in the last three years.

Ms. Cheung Wai Shuen (張慧璇), aged 47, is an executive Director and company secretary of the Company since 14 March 2016. Ms. Cheung is also a member of the executive committee and risk control committee focusing on business risk. Ms. Cheung is primarily responsible for the financial management, company secretarial matters, internal control related matters and administration of the Group. Ms. Cheung had been the company secretary of the Group and the finance & corporate planning managing Director of Star Properties (H.K.) Limited ("**Star Properties**"), a wholly owned subsidiary under Star Group, since November 2010 and October 2014 respectively. Ms. Cheung has over 21 years of financial and regulated activities experience. Ms. Cheung is currently a registered representative of type 4 activities (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities with the Securities and Futures Commission (the "**SFC**"). Ms. Cheung is a fellow of The Chartered Governance Institute and admitted associate of The Hong Kong Chartered Governance Institute. Ms. Cheung graduated with a degree in Bachelor of Business Administration (Honours) in Finance from Hong Kong Baptist University in December 1998 and obtained the degree in Master of Corporate Governance, from Hong Kong Polytechnic University in October 2013. Ms. Cheung did not hold any other directorships in listed public companies in the last three years.

Hui Ying Ying (許瑩瑩), aged 40, was an executive Director of the Company since 1 July 2022 and resigned with effect on 7 February 2022. Ms. Hui was also a member of the executive committee. Ms. Hui was primarily responsible for the administration, compliance and company secretarial matters of the Group. Ms. Hui had been the managing Director of Star Properties since January 2017. Ms. Hui has over 16 years of administrative and company secretarial experience. Ms. Hui was a registered representative of type 4 activities (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities with the SFC. Ms. Hui is a fellow of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Ms. Hui graduated with a degree in Bachelor of Business Administration (Honours) from the Chinese University of Hong Kong in July 2004 and obtained the degree in Master of Corporate Governance, from Hong Kong Polytechnic University in July 2020. Ms. Hui did not hold any other directorships in listed public companies in the last three years.

NON-EXECUTIVE DIRECTORS

Mr. Yim Kwok Man (嚴國文), aged 54, is a non-executive Director since 14 March 2016. Mr. Yim is the chairman of the risk control committee focusing on compliance related matters. Mr. Yim has over 25 years of extensive experience in the areas of corporate finance, equity capital markets and mergers and acquisitions advisory in Hong Kong. Mr. Yim has been a fellow member of The Association of Chartered Certified Accountants and an associate member of Hong Kong Society of Accountants since November 1998 and January 2002 respectively. Mr. Yim is currently a registered representative of type 4 activities (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities with the SFC. Mr. Yim graduated from Hong Kong Polytechnic University with a Bachelor of Engineering degree in Civil Engineering in November 1991. He attended an international MBA exchange program at John E Anderson Graduate School of Management, University of California, Los Angeles (UCLA), USA in 1993 and obtained a degree in Master of Business Administration (MBA) from the Chinese University of Hong Kong in September 1994. Mr. Yim is currently an independent non-executive director of Tsui Wah Holdings Limited (stock code: 1314) since November 2012, a company listed on the Main Board of the Stock Exchange of Hong Kong (the "**Stock Exchange**") which is a food and catering services provider; and an independent non-executive director of Apex Ace Holding Limited (stock code: 6036) since February 2018, a company listed on the Main Board of Stock Exchange which is the suppliers of digital storage products and electronic components; and an independent non-executive director of a private company, Wealthy Strong Corporation Limited since September 2022. Save as disclosed, Mr. Yim did not hold any other directorships in listed public companies in the last three years.

Mr. Tsui Wing Tak (徐穎德), aged 41, is a non-executive Director of the Company since 7 February 2022. Mr. Tsui is also the member of the risk control committee. Mr. Tsui was awarded a Bachelor of Business Administration in accounting from Hong Kong University of Science and Technology in November 2004. He was admitted as a Certified Public Accountant and a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants in January 2009 and January 2012, respectively.

Mr. Tsui has more than 18 years of experience in the accounting and corporate field. Mr. Tsui has been the Chief Executive Officer of AE Majors Advisory Company Limited which is principally engaged in the provision of corporate advisory services, since January 2012. He was the company secretary of Noble House (China) Holdings Limited (now known as Zhonghua Gas Holdings Limited) (stock code: 8246), a company listed on GEM of the Stock Exchange, from July 2013 to August 2014. From August 2004 to January 2012, Mr. Tsui worked in an international accounting firm in Hong Kong with his last position as a manager in auditing. Mr. Tsui was a non-executive Director of CCT Land Holdings Limited (now known as GBA Holdings Limited) (stock code: 261), a company listed on the Main Board of the Stock Exchange, from January 2017 to April 2018. Mr. Tsui was the non-executive Director and company secretary of Jiu Zun Digital Interactive Entertainment Group Holdings Limited (now known as Infinities Technology International (Cayman) Holdings Limited) (stock code: 1961), a company listed on the Main Board of the Stock Exchange, from February 2019 to May 2022. Mr. Tsui has been the executive Director of Tree Holdings Limited (stock code: 8395), a company listed on GEM of the Stock Exchange, since 6 September 2016. Mr. Tsui has been the company secretary of Ching Lee Holdings Limited (stock code: 3728), a company listed on the Main Board of the Stock Exchange, since 14 August 2017. On 15 February 2022, Mr. Tsui has been appointed as an executive Director and chairman of Capital Estate Limited (stock code: 193), a company listed on the Main Board of the Stock Exchange.

Mr. Tsui was appointed by the Embassy of the Republic of the Uganda in Beijing as Honorary Trade, Tourism and Investment Consultant/Adviser in China (Hong Kong and Macau SAR) from November 2016 to June 2019. Mr. Tsui was appointed as a member of the Chinese People's Political Consultative Conference of Qinzhou City in Guangxi Province in China since December 2019. Mr. Tsui was appointed by the Ministry of Foreign Affairs and Regional Integration of the Republic of Ghana as Honorary Consul of Ghana in Hong Kong in March 2020. Save as disclosed, Mr. Tsui did not hold any other directorships in listed public company in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chung Ming Eric (李仲明), aged 58, is an independent non-executive Director since 27 June 2016. Mr. Lee is a member of the audit committee, nomination committee and risk control committee focusing on industry risk. Mr. Lee has professional experience in the architectural industry. Mr. Lee is currently a Director of LCM & Associates Ltd., an architectural firm. Mr. Lee graduated from The University of Hong Kong with a degree in Bachelor of Arts (Architectural Studies) in November 1988, and subsequently with a Bachelor of Architecture degree in November 1991. Mr. Lee also obtained a degree in Master of Science (Conservation) from the University of Hong Kong in December 2005. He has been a member of the Hong Kong Institute of Architects since December 1992 and a registered architect in the Architects Registration Board in Hong Kong since July 1993. He also obtained the qualification of authorised person (list of architects) from the Buildings Department in 1995. Mr. Lee did not hold any other directorships in listed public companies in the last three years.

Ms. Chan Wah Man Carman (陳華敏), aged 54, joined the Group as an independent non-executive Director since 27 June 2016. Ms. Chan is the chairman of the audit committee and the chairman of the remuneration committee of the Company. Ms. Chan possesses over 29 years of experience in asset management, corporate finance and financial advisory. Ms. Chan obtained a degree in Bachelor of Science from Minnesota State University, Bemidji, U.S. in August 1993, and a Master of Accounting degree from Curtin University of Technology, Australia through long distance learning in February 2000. Ms. Chan has been a member of Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia since July 2005 and April 2005, respectively. Since November 2001, she has been a responsible officer to conduct type 6 (advising on corporate finance) and since August 2022, she has been a responsible officer to conduct type 4 (advising on Securities) and type 9 (asset management) regulated activities under the SFC. Ms. Chan did not hold any other directorships in listed public companies in the last three years.

Dr. Wong Wai Kong (黃偉桄), aged 57, joined the Group as an independent non-executive Director since 24 January 2020. Dr. Wong is a member of the audit committee, remuneration committee and nomination committee of the Company. Dr. Wong obtained a Bachelor Degree of Business Administration from the Hong Kong Baptist University in Hong Kong in November 1990, a Master Degree of Business Administration from the University of Sheffield in the United Kingdom in May 1995, a Master Degree of Science in Business Information Technology from the Middlesex University in the United Kingdom in January 2003 and a Doctor of Philosophy in Business Administration from the Bulacan State University in the Republic of the Philippines in July 2015. Dr. Wong has over 21 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. Dr. Wong is a Certified Public Accountant (practicing) in Hong Kong and a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Dr. Wong is currently the executive director of Pangaea Connectivity Technology Limited (stock code: 1473) since February 2022, a company listed on the Main Board of the Stock Exchange which engaged in distribution of connectivity products. Dr. Wong had been a non-executive director of Kam Hing International Holdings Limited (stock code: 2307) from January 2018 to December 2020, a company listed on the Main Board of the Stock Exchange which engaged in manufacture and trading of knitted fabrics, dyed fabrics and yarns. Save as disclosed, Dr. Wong did not hold any other directorships in listed public company in the last three years.

SENIOR MANAGEMENT

Mr. Liu Hon Wai (廖漢威), aged 56, is a managing Director of Star Properties since September 2015. Mr. Liu is the head of sales and marketing and is primarily responsible for the marketing and sales management of the Group. Mr. Liu has over 26 years of experience in the property market especially in sales and marketing of properties. Mr. Liu was consecutively awarded with Ten Million Supervisor in Centaline Property Agency Limited from 1995 to 1999 and Ten Million Manager in 2000. He was also a lion member and golden lion member of the Centaline Eagle Club from 1995 to 2000. Mr. Liu passed the qualifying examination for estate agents under the Estate Agents Authority of Hong Kong in April 1999. Mr. Liu graduated with a Bachelor of Social Work degree from The University of Hong Kong in December 1989.

Mr. Kung King Sze Jimmy (龔敬思), aged 39, is the Managing Director of Star Properties since 2022. Mr. Kung is the head of property management team and is responsible for several business units, including provision of property management services, security, cleaning and contracting services. Mr. Kung has over 15 years of experience in property management industry. Mr. Kung obtained a BA(Hons) in Housing Studies with first class Honours from Leeds Beckett University, the UK in 2016, he further obtained a Master of Science in Project Management from The University of Greenwich, the UK in 2019 and a Master of Science in Construction and Real Estate from The Hong Kong Polytechnic University in 2019 and a Master of Science in Building Services Engineering from Leeds Beckett University, the UK in 2020. He is currently studying a BSc (Hons) Building Services Engineering from Leeds Beckett University, the UK in 2023. Mr. Kung holds a PMP (Tier 1) license under Property Management Services Authority, and is a member in The Hong Kong Institute of Housing, a professional member in Royal Institution of Chartered Surveyors and registered as a Chartered Facility Management Surveyor, a member in Chartered Association of Building Engineer and is registered as a Chartered Building Engineer, a member in Hong Kong Institution of Building & Services Engineers and an applicant member of The Chartered Institute of Building.

Mr. Lee Lap Yan Philip (李立人), aged 52, is a Director of project development of Star Properties and is responsible for overall design, project management, project overall planning, implementation of policies and procedures, design quality control and leading and managing the consultants. Mr. Lee has over 21 years of experience in the property development, architectural, building and construction industries. Mr. Lee graduated from the University of Portsmouth, United Kingdom with a degree of Arts in Bachelor of Architecture in June 1992.

Mr. Wong Tin Hung (黃天洪), aged 52, is a Director of project development of Star Properties and is responsible for the overall construction, project management, project overall planning, implementation of policies and procedures, design quality control, monitoring the progress of the development projects, coordinating with the consultant teams and contractors and handling all other project related activities of the Group. Mr. Wong has over 26 years of experience in civil and building construction. Mr. Wong graduated from the University of California, Los Angeles, USA with a Bachelor Degree in Civil Engineering in 1995.

Ms. Wong Suk Wan (黃淑雲), aged 54, was a Director of Finance of Star Properties and resigned with effect on 17 June 2022. Ms. Wong was primarily responsible for accounting and financial management, tax, treasury, internal control and other finance related matters of the Group. Ms. Wong has over 20 years of experience in the relevant experience. Ms. Wong obtained a Master of Professional Accounting from The Hong Kong Polytechnic University in 2003 and has been an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants since 2001 and 2005, respectively.

Mr. Lo Kwun Kit (盧冠傑), aged 34, joined the Group as a Director of Finance in Star Properties since 8 December 2022 and is primarily responsible for accounting and financial management, company secretary, tax, treasury, internal control and other finance related matters of the Group. Mr. Lo has over 9 years of experience in the relevant experience. From 2013 to 2022, Mr. Lo served as an auditor in several professional firms including two of the big four international accounting firms in Hong Kong and financial controllers of two main board listed companies in Hong Kong. Mr. Lo obtained a bachelor degree of Business Administration with major in accountancy and minor in finance from The Hong Kong Polytechnic University in 2013 and has been an associate member of Hong Kong Institute of Certified Public Accountants and an associate member of The Institute of Chartered Accountants in England and Wales since 2016 and 2023, respectively.

Ms. Li Miu Kam Gina (李妙琴), aged 34, is a Director of Star Properties (Metropolitan). Ms. Li is primarily responsible for overseeing the wine business including the wine cellar leasing and fine wine trading. She joined Metropolitan Lifestyle (H.K.) Limited in 2017 and her employment transferred into Star Group when Star Group acquired the business and the brand of Metropolitan. Ms. Li has over 11 years' experience in the wine industry. She is a veteran at Metropolitan Wine Cellar Group since the early establishment of Metropolitan Wine Cellar in 2012. Being passionate about wine, she traveled to Australia for one year to experience the local food and drinks there in 2015. Further, in order to broaden her horizon in the wine world, she took a Master degree in Wine Business in Dijon, where the capital of Burgundy for one and half year, to learn directly from Wine Master, Chateaux Owner and winemakers. She has been a buyer and has expertly arranged wine tasting and dinner events with chateaux ambassadors.

Mr. Chan Chi Wai Ivan (陳志偉), aged 46, is a Director of Star Properties (Metropolitan). Mr. Chan is responsible for overseeing the business of storage business. He joined Metropolitan Lifestyle (H.K.) Limited in 2019 and his employment transferred into Star Group when Star Group acquired the business and the brand of Metropolitan. Mr. Chan has over 19 years' experience in the franchise and business development field, with duties covering a board range of areas including new business set-up and steering business growth strategy, with particular focus on mini-storage management and development. He has overseen over 80 brands across different sectors and successfully assisted the brands to establish their franchise business in Hong Kong, Macau and Taiwan.

Mr. Yu Bobby Jump Ming (余湛銘), aged 34, is a Director of Star Properties. Mr. Yu is responsible for the Group's overall business development. He has successfully led the Group in new business opportunities and cultivated relationships with different stakeholders including landlords, developers, REITS, family offices, investors and consultants. Prior to that, Mr. Yu has worked with hedge funds and in the private investment industry, where he has gained extensive financial knowledge and experiences. Mr. Yu is also the co-founder and General Manager of Metropolitan Workspace, a co-working space across Hong Kong and Asia. Mr. Yu has led the expansion of the business from one location to eight within 6 years. Mr. Yu has been involved in driving the development, brand building, customer relationship management, marketing, and system development of the business. Mr. Yu has a Business Administration Degree from Hofstra University, New York, USA, and is currently pursuing a Master of Science in Real Estate at Hong Kong University, scheduled to graduate in 2024.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the Company's annual report for the year ended 31 December 2022.

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 Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange with the exception for code provision C.2.1, which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same 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 our business history, Mr. Chan Man Fai Joe has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group's operations as he directly supervises our senior management.

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

CORPORATE PURPOSE AND GOVERNANCE

The Company strives to deliver best quality of services to its customers and generates long term investment returns to the Shareholders. A discussion and analysis of the Group's performance is set out in this annual report under "Management Discussion and Analysis".

The Board is dedicated to maintain a high standard of corporate governance practices and business ethics as we believe that good governance is essential for long term success and sustainability of business. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders, and comply with the increasingly stringent regulatory requirements as well as to fulfill its commitment to excellent corporate governance.

The Board is responsible for performance the corporate governance duties and the Board has delegated such duties to audit committee of the Company (the "**Audit Committee**"). The corporate governance duties includes (1) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; (2) to review and monitor the training and continuous professional development of Directors and senior management; (3) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; (4) to develop, review and monitor the code of conduct according to the anti-corruption policy applicable to employees and Directors; and (5) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

THE BOARD

BOARD COMPOSITION

As at 31 December 2022, the Board comprises 7 Directors, with 2 executive Directors ("**EDs**"), 2 non-executive Directors ("**NEDs**") and 3 independent non-executive Directors ("**INEDs**").

The composition of the Board as at 31 December 2022 is set out as follows:

Executive Directors:
Mr. Chan Man Fai Joe
Ms. Cheung Wai Shuen
Ms. Hui Ying Ying (Resigned on 7 February 2022)

Non-executive Directors:
Mr. Yim Kwok Man
Mr. Tsui Wing Tak (Appointed on 7 February 2022)

Independent non-executive Directors:
Dr. Wong Wai Kong
Mr. Lee Chung Ming Eric
Ms. Chan Wah Man Carman

The profiles of all Directors are set out on pages 15 to 17 of this annual report. Save as disclosed in this annual report, to the best knowledge of the Company, there is no other relationship among members of the Board, including financial, business, family or other material/relevant relationship.

The Board considers its composition provided a balance of skills and experience necessary for decision making and fulfilling its business needs. With 3 out of 7 Directors are independent; the Board composition has a strong independent element which can effectively exercise independent judgement. Besides, the number of NEDs is also sufficient to carry out weight for their view. The Board believes that the participation of INEDs brings independent professional judgements on issues relating to the Group's strategy and performance to ensure that the interests of all Shareholders have been duly considered.

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

BOARD ATTENDANCE

During the Reporting Period, the attendance of each Director at the Board meetings and the general meeting of the Company held are set out as follows:

	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Risk Control Committee meeting
Executive Directors:					
Mr. Chan Man Fai Joe	6/6	N/A	2/2	2/2	1/1
Ms. Cheung Wai Shuen	6/6	N/A	N/A	N/A	1/1
Ms. Hui Ying Ying (Resigned on 7 February 2022)	1/6	N/A	N/A	N/A	N/A
Non-executive Directors:					
Mr. Yim Kwok Man	6/6	N/A	N/A	N/A	1/1
Mr. Tsui Wing Tak (Appointed on 7 February 2022)	5/6	N/A	N/A	N/A	1/1
Independent non-executive Directors:					
Dr. Wong Wai Kong	6/6	3/3	2/2	2/2	N/A
Mr. Lee Chung Ming Eric	6/6	3/3	2/2	N/A	1/1
Ms. Chan Wah Man Carman	6/6	3/3	N/A	2/2	N/A

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions, budgets and business plans, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and performance evaluation and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors, individually and collectively, must act in good faith in the best interests of the Company and the Shareholders.

The Board has overall responsibility on risk management and internal control and it has delegated such duty to the risk control committee of the Company (the "**Risk Control Committee**"). The Board also has responsibility on reviewing the implementation and effectiveness of the Group's board diversity policy (the "**Board Diversity Policy**") and it has delegated such duty to the nomination committee of the Company (the "**Nomination Committee**").

The Group's day-to-day management, implementation of decisions of Board, administration and operation are delegated to the management of the Company. The Board regularly reviews the performance of the management.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities and to ensure that they are fully aware of their duties and responsibilities under statue and common law, the Listing Rules and the Company's business and governance policies. Continuing briefings and professional development to Directors will be arranged whenever necessary.

The Company has received from each of the Directors a record of training they received during the Reporting Period. A summary of such training is listed as follows:

Name of Directors	Type of training
Executive Directors	
Mr. Chan Man Fai Joe	A, B
Ms. Cheung Wai Shuen	A, B
Non-executive Directors	
Mr. Yim Kwok Man	B
Mr. Tsui Wing Tak	A, B
Independent non-executive Directors	
Dr. Wong Wai Kong	A, B
Mr. Lee Chung Ming Eric	B
Ms. Chan Wah Man Carman	A, B

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

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

COMPANY SECRETARY'S TRAINING

Pursuant to Rule 3.29 of the Listing Rules, the company secretary must take no less than 15 hours of relevant professional training in each financial year. Ms. Cheung Wai Shuen, an ED, was appointed as the company secretary of the Company the ("**Company Secretary**"). She has provided her training records to the Company indicating that she has undertaken more than 15 hours of relevant professional development during the Reporting Period, by means of attending seminars and reading relevant guidance materials.

BOARD COMMITTEES

The Board has delegated authority to 5 standing committees with specific roles and responsibilities. Their terms of reference and composition are reviewed regularly to ensure that they remain appropriate and reflect changes in good practice and governance. Each committee is required to report to the Board on its decision and recommendations, where appropriate.

EXECUTIVE COMMITTEE

The executive committee of the Company (the "**Executive Committee**") was established on 1 November 2016 and it consists of all executive Directors from time to time. It is responsible for general management, investment, funding and financing requirements and application, supervising the day-to-day management, performance and operations in accordance with the business strategy of the Group, reviewing strategy and business development initiatives of the Group and monitoring their implementation. As at 31 December 2022, the Executive Committee comprises two members, including Mr. Chan Man Fai Joe (chairman of the Executive Committee) and Ms. Cheung Wai Shuen.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") has been established on 27 June 2016 with specific written terms of reference stipulating its authorities and duties in compliance with code provision of E.1.2 of the CG Code, which are available on the websites of the Company and the Stock Exchange. As at 31 December 2022, the Remuneration Committee comprises of Ms. Chan Wah Man Carman (chairlady of the Remuneration Committee), Dr. Wong Wai Kong and Mr. Chan Man Fai Joe.

The primary roles and functions of the Remuneration Committee include:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and establishing a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual EDs and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on Directors' fee of the NEDS with reference to the range of remuneration of other NEDS in the similar industry;

(e) to consider salaries paid by comparable companies in the industry in which the Company operates, time commitment and responsibilities, and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to EDs and senior management for any loss or termination of office or appointment in order to ensure that it is consistent with contractual terms and is otherwise fair and in line with market practice;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(i) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules;

During the Reporting Period, two Remuneration Committee meetings were held for, inter alia, reviewing the remuneration policies and structure for the Directors and senior management of the Group, during which all members were present in the meeting and no Director was involved in deciding his/her own remuneration.

Pursuant to paragraph E.1.5 of the CG Code, the remuneration of the Directors and members of the senior management by band for the Reporting Period are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee has been established on 27 June 2016 with specific written terms of reference stipulating its authorities and duties in compliance with code provision of B.3.1 of the CG Code. The terms of reference for Nomination Committee, which may be amended from time to time, are available on the websites of the Company and the Stock Exchange. As at 31 December 2022, the Nomination Committee comprises of Mr. Chan Man Fai Joe (chairman of the Nomination Committee), Dr. Wong Wai Kong and Mr. Lee Chung Ming Eric.

The primary roles and functions of the Nomination Committee are as follows:

(a) formulate nomination policy for consideration of the Board and implement the nomination policy laid down by the Board;

(b) review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(c) recommend to the Board on the appointment or reappointment of Directors and succession planning for Directors in particular the chairman of the Board and the Group's managing Director;

(d) identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(e) to assess the independence of INEDs;

(f) adopt nomination procedures, process and criteria to select and recommend candidates for directorship and to review periodically and to disclose in the corporate governance report annually. The Committee should ensure that the selection process is transparent and fair, and that it considers a broad range of diverse candidates who are outside the Board's circle of contacts and in accordance with the Company's diversity policy;

(g) review annually time commitment required of Directors and evaluate whether Directors have adequate time to discharge their responsibilities;

(h) in respect of any proposed service contracts to be entered into by any members of the Group with its director or proposed director, which require the prior approval of the Shareholders at general meeting, to review and provide recommendations to the Shareholders (other than Shareholders who are Directors with a material interest in the relevant service contracts and their respective associates) as to whether the terms of the service contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the Shareholders as a whole, and to advise Shareholders on how to vote;

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

(j) where the Board propose a resolution to elect an individual as an INED at the general meeting, it should set out in circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting (i) the process used for identifying the individual and why the Board believes the individual should be elected and the reason why it considers the individual to be independent; (ii) if the proposed INED will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board; (iii) the perspectives, skills and experience that the individual can bring to the Board; and (iv) how the individual contributes to diversity of the Board; and

(k) make recommendation to the Board concerning (a) formulating plans for succession for both executive and non-executive Directors; (b) membership of the Audit Committee and Remuneration Committee, in consultation with the chairmen of these committees; and (c) the re-appointment of non-executive Directors at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required.

During the Reporting Period, two Nomination Committee meetings were held to propose and recommend the appointment of Mr. Tsui Wing Tak as the NED; review the structure, size, composition and diversity of the Board; and assess the independence of the INEDs, during which all members were present in the meetings.

Board Diversity Policy

The Board Diversity Policy was adopted by the Company pursuant to Board resolutions. The Board Diversity Policy aims to set out the approach to achieve diversity on the Company's Board. With a view to achieving a sustainable and balanced development, the Company sees diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time.

The Nomination Committee is responsible for reviewing and monitoring the achievement of the measurable objectives set out in Board Diversity Policy, as appropriate, to ensure the effectiveness of Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. It will review the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects and adhere to the Board Diversity Policy when making recommendation on any Board members appointments.

The composition of the Board as at 31 December 2022 is set out as follows:

Gender	2 Females; 5 Males
Age Group	35-45 (1); 46-55 (3); 56-65 (3)
Length of Directorship	0-1 year (1); 1-3 years (1); 4-6 years (5)
Other public companies Directorship(s) (No. of companies (no. of Directors)	0 (4); 1 (1); 2 (1); 3 (1)
Accounting professionals	3

The gender ratio of the Senior Management as at 31 December 2022 is set out as follows:

Gender	2 Females; 5 Males

Nomination of Directors

Selection of candidates will be based on a range of diversity perspectives, including but not limited to the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, number of directorship with other public companies and length of service. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenge that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets and reflecting the Group's strategy. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the Reporting Period, Mr. Tsui Wing Tak has been nominated to act as NED for the Group by going through the above nomination process. The Nomination Committee has considered his strong financial background and listed company exposure, good knowledge to the Company and his international exposure and qualification which will bring positive contribution and insight to the Board and further benefit to the Group and its shareholder as a whole before making recommendation to the Board for the appointment. Mr. Tsui Wing Tak was appointed as an NED for the Group on 7 February 2022.

Terms of Non-Executive Directors

Each NED or INED was appointed for a specific term of two to three years.

Appointment and Re-Election of Directors

Under code provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three year. At each annual general meeting, one third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be eligible for re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

AUDIT COMMITTEE

The Audit Committee has been established on 27 June 2016 with specific written terms of reference stipulating its authorities and duties in compliance with code provision of D.3.3 of the CG Code. The terms of reference, which may be updated from time to time, are available on the websites of the Company and the Stock Exchange. As at 31 December 2022, the Audit Committee comprises three INEDs, including, Ms. Chan Wah Man Carman (chairlady of the Audit Committee), Mr. Lee Chung Ming Eric and Dr. Wong Wai Kong.

The functions of the Audit Committee are, among others, to assist the Board to review the financial information of the Company, including interim and final results; to monitor and review the relationship with the external auditors, particularly on their independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to oversight of the Company's risk management, financial system and internal control procedures; to oversight of the Company's corporate governance functions and connected transactions; and to make relevant recommendations to the Board to ensure effective and efficient and reliable reporting. More details of the functions and duties of Audit Committee is available in the terms of reference.

The Audit Committee had reviewed the Group's consolidated financial statements for the year ended 31 December 2022. During the Reporting Period, three Audit Committee meetings were held to review and discuss, inter alia, with the management of the Company; the internal auditor and the external auditors the accounting principles and practices adopted by the Group, as well as internal controls, risk factors and other financial reporting matters, during which all members were present throughout the meetings.

Review on Auditor's Remuneration

The fees in relation to the audit services provided by BDO Limited, the external auditor of the Company, for the year ended 31 December 2022 amounted to HK$1,916,000 (For the year ended 31 December 2021: HK$1,913,000), and those in relation to non-audit service amounted to HK$280,000 (2021: HK$253,000).

The Board or the Audit Committee is satisfied with, inter alia, the audit fees, effectiveness of the audit process, independence and objectivity of BDO Limited and has recommended to the Board the re-appointment of BDO Limited as the Company's external auditors for the ensuing year at the forthcoming annual general meeting of the Company.

Review on the Group's Policies

During the Reporting Period, there were several amendments made by the Stock Exchange on the Listing Rules and CG Code with effective from 1 January 2022, the Audit Committee has reviewed the Board Diversity Policy, whistleblowing Policy, memorandum and articles of association of the Company (the "**Memorandum and Articles of Association**") and Corporate Governance Policy and recommended the Group to amend its policies to align to the requirement of the Listing Rules and CG Code. The Audit Committee has further reviewed and adopted the updated policies. The amendments of the Memorandum and Articles of Association of the Company should be done after the approval in the upcoming annual general meeting of the Company.

Related Party Transactions

During the Reporting Period, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards and the details of the material related party transactions (the "**Transactions**") are disclosed in note 39 to the consolidated financial statements.

Save as disclosed in this annual report, the Transactions falls under the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules, but are fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. Please refer to the paragraph headed "Continuing Connected Transactions" for details of these fully-exempted continuing connected transactions.

RISK CONTROL COMMITTEE

The Risk Control Committee was established on 27 June 2016. As at 31 December 2022, the Risk Control Committee comprises two NEDs, Mr. Yim Kwok Man (chairman of the Risk Control Committee) and Mr. Tsui Wing Tak, and two EDs, Mr. Chan Man Fai Joe and Ms. Cheung Wai Shuen, and one INED, Mr. Lee Chung Ming Eric.

The primary responsibilities of our Risk Control Committee include but not limited to:

- supervising and monitoring the risks (with a focus on business risk, industry risk, regulatory risk, compliance risk) and compliance management system of the Company, including the policies, structure and specific responsibilities;
- advising and monitoring as to the compliance with the relevant Listing Rules before the Company proposes to enter into transactions to which Chapters 14 and 14A of the Listing Rules apply;
- reviewing and monitoring the training and continuous professional development of our Directors and senior management;
- monitoring the compliance with the CG Code and the disclosure in the Corporate Governance Report; and
- monitoring the effective implementation of the risk and compliance management and evaluating the performance of our senior management who are responsible for the risk and compliance management.

During the Reporting Period, one Risk Control Committee meeting was held to review the internal control and risk management of the Group, during which all members were present in the meeting. During the Reporting Period, there were no major issue but areas for improvement have been identified by the Risk Control Committee and Audit Committee and both internal and external auditors with appropriate measures taken. The Board is of the view that the risk management and internal control systems in place for the Reporting Period and up to the date of issuance of the annual report are effective and adequate.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the ultimate responsibility to maintain sound and effective risk management and internal control systems for the Group to safeguard the interests of Shareholders and the Group as a whole and to ensure strict compliance with relevant laws, rules and regulations. The Board has delegated the duties to the Risk Control Committee and Audit Committee who are responsible for reviewing the effectiveness of the risk management and internal control systems and reporting to the Board whereas Audit Committee has particularly focused on the risk management and internal control over the financial aspect.

Our internal control systems cover various operating processes from risk assessment, financial reporting, cost management, pricing for property projects to staff recruitment and training and maintenance of IT system control on annual basis. The senior management of the Group, supported by the EDs, Audit Committee and Risk Control Committee, is responsible for the design, implementation and monitoring of the risk management and internal control systems, reports to the EDs on regularly basis, and collaborate with the internal audit.

Pursuant to code provision of D.2.1 of the CG Code, the Board has overseen the risk management and internal control systems on an ongoing basis. An outsourced internal audit team was engaged to perform an annual review on the major operating units of the Group for the Reporting Period.

During the Reporting Period under review, the Group internal audit conducted selective reviews of the effectiveness of the risk management and internal control system of the Group over financial, operational and compliance control by auditing on the sales and marketing procedures, treasury management, compliance on corporate governance requirements under appendix 14 of Listing Rules and review on the updates of the recommendations made in last year's review. The review results were assessed by Group internal audit and reported to the Risk Control Committee and Audit Committee, which then reviewed and reported the same to the Board.

DIVIDEND POLICY

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

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

SHAREHOLDERS' RIGHTS

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholders**") shall at all times have the right, by a written requisition signed by the Eligible Shareholders concerned (the "**Requisition**"), to require the Board to convene an extraordinary general meeting, and to put any resolution so requisitioned to vote at such extraordinary general meeting.

Eligible Shareholders who wish to requisition the Board to convene an extraordinary general meeting for the purpose of proposing a resolution at the extraordinary general meeting must deposit the Requisition at the principal place of business of the Company in Hong Kong at Unit 603, 6/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the names of the Eligible Shareholders concerned, specify the objects of the meeting, and be signed by the Eligible Shareholders concerned. The Eligible Shareholders must prove their shareholdings in the Company to the satisfaction of the Company.

The Company will check the Requisition and the identities of the Eligible Shareholders and the shareholdings of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order and in compliance with the Memorandum and Articles of Association, the Board will within 21 days of the date of deposit of the Requisition formally convene an extraordinary general meeting to be held within two months of the date of deposit of the Requisition for the purpose of putting any resolution(s) proposed by the Eligible Shareholders to vote at such extraordinary general meeting. However, if the Requisition has been verified as not in order and not in compliance with the Memorandum and Articles of Association, the Eligible Shareholders concerned will be advised of this outcome and accordingly, the Board will not convene an extraordinary general meeting and will not put any resolution(s) proposed by the Eligible Shareholders to vote at any such extraordinary general meeting or any other general meeting of the Company.

If within 21 days of the date of deposit of the Requisition, the Board has not advised the Eligible Shareholders that the Requisition is not in order and not in compliance with the Memorandum and Articles of Association, and the Board has failed to proceed to convene an extraordinary general meeting, the Eligible Shareholders himself or themselves may proceed to convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Board in accordance with the Memorandum and Articles of Association. All reasonable expenses incurred by the Eligible Shareholders concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholders concerned by the Company.

INVESTOR RELATIONS

The Company has adopted a Shareholders' communication policy on 27 June 2016 reflecting mostly the current practices of the Company for the communication with the Shareholders. Information will be communicated to Shareholders through:

- The annual Shareholders' meetings and other Shareholders' meetings of the Company are the primary forum for communication by the Company with the Shareholders and for Shareholder participation.
- The Company encourages and supports Shareholder participation in Shareholders' meetings. Shareholders are encouraged to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings.
- Mechanisms for enabling Shareholder participation will be reviewed on a regular basis by the Board to encourage the highest level of participation.

Chairman of the Board, appropriate members of the Board committees and the external auditor of the Company will attend the annual Shareholders' meetings to answer questions from the Shareholders.

WHISTLEBLOWING POLICY

The Company has adopted a whistleblowing policy on 27 June 2016 to facilitate the achieving of highest possible standards of openness, probity and accountability. Procedures and system are formulated for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity to the Audit Committee or to the designated senior officer. The Audit Committee has overall responsibility for this policy, but has delegated day-to-day responsibility for overseeing and implementing it to the designated senior officer: Company Secretary. Responsibility for monitoring and reviewing the operation of the policy and any recommendations for action resulting from investigation into complaints lies with the Audit Committee. During the Reporting Period, no incident of fraud or misconduct was reported from employees of the Company that have material effect on the Group's financial statements and overall operations.

ANTI-CORRUPTION POLICY

The Company has adopted an anti-corruption policy to promote and support the anti-corruption laws and regulations. The Audit Committee has overall responsibility for this policy, but has delegated day-to-day responsibility for overseeing and implementing it to the designated senior officer: Company Secretary. Responsibility for monitoring and reviewing the operation of the policy and any recommendations for action resulting from investigation into complaints lies with the Audit Committee. During the Reporting Period, no incident was reported from employees of the Company.

INSIDE INFORMATION

The Company regulates the handling and dissemination of inside information as set out in the corporate governance policy to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association was adopted on 27 June 2016 and was replaced by the Second Amended and Restated Memorandum and Articles of Association adopted by a special resolution passed on 2 June 2022. The Second Amended and Restated Memorandum and Articles of Association has updated to reflect to the latest requirement of the latest amendments to the Listing Rules. Details of the changes in the Memorandum and Articles of Association can refer to the Company's circular of annual general meeting dated 25 April 2022. The constitutional documents (amended from time to time) are available on the websites of the Company and the Stock Exchange.

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. Having made specific enquiries of each Director, 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparation of the consolidated financial statements for the financial year ended 31 December 2022 which give a true and fair view of the state of affairs of the Group at that date and of the Group's results and cash flows for the year ended 31 December 2022 and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" contained in this annual report.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, statutory requirements and other regulatory requirements. As at 31 December 2022, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

A statement by the auditor about their reporting responsibilities is set out on pages 67 and 68 of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

GOVERNANCE STRUCTURE

The Group is pleased to present the Environmental, Social and Governance ("**ESG**") Report for the year ended 31 December 2022. The Group puts the sustainable development of its business as the top priority of its long-term development goals, and incorporate environmental, social and governance elements into its long-term business strategic planning. The Board has overall responsibility to oversee, manage and monitor the Group's ESG strategy and reporting and devoted to integrate the ideas of environmental and social responsibility into the Group's operation and management activities.

The Board has communicated with the business manager of each business unit to ensure every unit understand the goal and direction to integrate the ideas of environmental and social responsibility into the Group's operation; the business manager may from time to time to introduce different measures or suggestions to the Board and the Board will review, approve and evaluate the measure and effectiveness accordingly.

Looking ahead, the Board will continue to review and monitor the environmental, social and corporate governance performance of the Group and provide material, reliable, consistent and comparable environmental, social and corporate governance information to its stakeholders for making contributions to create a better environment.

ABOUT THIS REPORT

This ESG Report is prepared pursuant to the ESG Reporting Guide provided in Appendix 27 to the Listing Rules on the Stock Exchange. This report discloses information on the Group's ESG management approach, strategy, priorities, objectives, compliance with the relevant laws and regulations and our performance for the year ended 31 December 2022 to increase stakeholders' understanding on the Group.

The Board confirms that they have the responsibility to ensure the integrity of this ESG Report, and to their best knowledge, the ESG Report expounds all relevant important issues and fairly presents the ESG performance of the Group. This Report was reviewed and approved by the Board of Directors on 29 March 2023.

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to share with the Group at Unit 603, 6/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

REPORTING PRINCIPLES

The basis of reporting principles - materiality, quantitative and consistency:

- "Materiality" Principle: The Group determines material ESG issues by stakeholder engagement and materiality assessment. Please refer to the Stakeholder Engagement Section for the significant stakeholders identified.
- "Quantitative" Principle: Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.
- "Consistency" Principle: The Report will use consistent methodologies for meaningful comparisons in the past years unless improvements in methodology are identified.

REPORTING BOUNDARIES

The Company is principally engaged in property development; property investment for sale, rental or capital appreciation in Hong Kong and South Korea; provision of property management and security services; construction and fitting out works; provision of finance; wine business which includes operation of wine cellar and trading of fine wine; and provision of media production services in Hong Kong. The various lifestyle businesses are operating under the brand name of "Metropolitan". The ESG Report covers mainly the ESG performance of the business activities in Hong Kong which is the area represent the majority of Group's ESG impacts.

We are committed to improving internal data collection procedures. If the scope and boundaries of the specific contents vary, we will explain in the relevant section of the ESG Report.

STAKEHOLDERS ENGAGEMENT

The Group believes that effective feedback from stakeholders contributes to ESG performance. The Group has engaged in regular and open communication with its stakeholder groups including employees, investors and shareholders, contractors, customers, government and the wider community.

Stakeholders	Engagement Channels
Shareholders and investors	Company website, general meeting, financial reports, announcement and circulars;
Employees	Direct engagement and discussion, meeting, performance review and appraisals, trainings, seminars and briefing sessions;
Contractors	Meetings or site inspections, work reviews; procurement manager;
Customers	Direct engagement, feedbacks from agents, company website;
Government/Regulators	Email, telephone or written correspondence, government website;
The Public	ESG Reports

A. ENVIRONMENTAL

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

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

- Take the most efficient travelling method.
- "Switch-off" all idle electrical appliances and lightings; encouraging employees to switch off (or onto energy-saving mode) computers, monitors and other electrical appliances when they are not in use.
- Optimize use of natural light in offices and maintain the office temperature at 25 degree Celsius, which reduce the usage of excess electricity energy for lighting and air-conditioning.
- Promote paperless environment by encouraging the use of electronic copy and minimize the use of paper by encouraging double side printing and use of recycled paper.

1. EMISSION – MEASURES TO REDUCE CARBON EMISSION INCLUDE:

The Group outsourced the construction work to independent contractors; the Group's business does not have direct significant greenhouse gas emissions. The major emissions of the Group are resulting from consuming electricity at the workplace, vehicles and business travels by employees.

The Company is committed to protect the environment. In order to minimize environmental impacts of our business activities, we shall comply with applicable legal and other requirements in the environmental aspects; minimize pollution, reduce waste and prevent unnecessary consumption of resources; encourage staffs to optimize resources to minimize the impact on the environment and natural resources and encourage environmental protection activities amongst suppliers, vendors and subcontractors.

Air and Greenhouse Gas (the "GHG") Emission

During the year ended 31 December 2022, the Group rents one private motor vehicle that runs on petrol gas. A total of approximately 4,821.44 litres (For the year ended 31 December 2021: 6,455.19 litres) of petrol was used for the motor vehicle.

Sewage Discharge/Waste Management

We did not consume significant volume of water which, in turn, did not discharge a lot of water wastage. The discharge into water and land, and generation of hazardous and non-hazardous waste during our course of operations is minimal.

Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

2. USE OF RESOURCES

We have undertaken various recourse saving measures as mentioned in the guidelines of our Green Office Programme to demonstrate our efforts in efficient use of resources in our daily operations. The Group has incorporated energy saving equipment in the office such as installation of sensor in the office area to avoid wasting electricity and adoption of multi-function photocopiers (with printing, scanning and fax functions) that meet energy efficiency specification to reduce energy consumption.

Electricity consumed by the Group's office in its normal business operation is supplied by CLP Power Hong Kong Limited. The electricity consumption by the Group at its office was approximately 43,596 kWh (For the year ended 31 December 2021: 137,625 kWh), producing CO2 equivalent emissions of approximately 17,002.44 kgCO2/kWh (For the year ended 31 December 2021: 50,921.25 kgCO2/kWh) and an energy consumption intensity of approximately 3.88 kWh per square feet (For the year ended 31 December 2021: 12.23 kWh per square feet) during the year ended 31 December 2022.

The Group is operating co-working space business and storage business after the acquisition of Metropolitan brand on 22 October 2020. The electricity consumption by the operation of co-working space business and storage business is shown in the following table.

Electricity consumption in the co-working space business is supplied by HK Electric except Yuen Long and Kwai Chung sites whose electricity is supplied by CLP Power Hong Kong Limited. The carbon emission shown in the following table is calculated based on 0.71 kg CO2-e of carbon emissions per unit for the year ended 31 December 2022 according to the information available in HK Electric's website

Co-working space sites	Wong Chuk Hang	Central 1	Central 2	Wan Chai	Admiralty	Tin Hau	Yuen Long	Kwai Chung
For the year ended 31 December 2022								
Total Unit	39,675	26,974	17,448	31,737	40,978	48,887	60,080	170,783
Carbon Emissions	28,169.25	19,151.54	12,388.08	22,533.27	29,049.38	34,709.77	23,341.20	66,605.3
	Note 3	*Note 3*	*Note 3*	*Note 3*	*Note 3*	*Note 3*	*Note 1*	*Note 1*
For the year ended 31 December 2021								
Total Unit	14,616	27,079	18,241	28,454	37,672	46,634	N/A	N/A
Carbon Emissions	10,377.36	19,226.09	12,951.11	20,202.34	26,747.12	33,110.14	N/A	N/A
	Note 3	*Note 3*	*Note 3*	*Note 3*	*Note 3*	*Note 3*	N/A	N/A

Electricity consumption in the storage business is supplied by HK Electric for the Chai Wan sites and is supplied by CLP Power Hong Kong Limited for the remaining sites. Please refer to the notes for the relevant calculation basis of carbon emission.

Storage sites	Chai Wan 1	Chai Wan 2	Yuen Long 1	Kwai Chung 1	Yuen Long 2	Yuen Long 3	Fo Tan
For the year ended 31 December 2022							
Total Unit	34,329	60,412	122,468	127,504	62,845	17,632	67,252
Carbon Emissions	24,373.59	42,892.52	47,762.52	49,726.56	24,509.55	6,876.48	26,228.28
	Note 3	*Note 3*	*Note 1*	*Note 1*	*Note 1*	*Note 1*	*Note 1*
For the year ended 31 December 2021							
Total Unit	33,842	61,005	115,328	142,379	62,359	18,582	N/A
Carbon Emissions	24,027.82	43,313.55	65,736.96	81,156.03	35,544.63	10,591.74	N/A
	Note 3	*Note 3*	*Note 2*	*Note 2*	*Note 2*	*Note 2*	N/A

Storage sites	Tsing Yi 1	San Po Kong	Kwai Chung 2	Tai Po	Shatin	Sham Shui Po	Chai Wan 4
For the year end 31 December 2022							
Total Unit	33,470	99,828	44,708	116,752	41,538	57,136	38,536
Carbon Emissions	13,053.30	38,932.92	17,436.12	45,533.28	16,199.82	22,283.04	27,360.56
	Note 1	*Note 1*	*Note 1*	*Note 1*	*Note 1*	*Note 1*	*Note 3*
For the year end 31 December 2021							
Total Unit	39,191	108,014	71,876	116,840	43,292	52,335	N/A
Carbon Emissions	22,338.87	61,567.98	40,969.32	66,598.8	24,676.44	29,830.95	N/A
	Note 2	*Note 2*	*Note 2*	*Note 2*	*Note 2*	*Note 2*	N/A

Note 1: The CO2 emission figure for the year ended 31 December 2022 was based on 0.39 kgCO2/kWh according to the carbon intensity for the year 2021 disclosed in CLP Information Kit dated November 2022.

Note 2: The CO2 emission figure for the year ended 31 December 2021 was based on 0.37 kgCO2/kWh according to the carbon intensity for the year 2020 disclosed in CLP Information Kit dated October 2021.

Note 3: The amount of carbon emissions per unit is 0.71 kg CO2-e for the year ended 31 December 2021 and for the year ended 31 December 2022 according to the information available from the website of HK Electric.

3. THE ENVIRONMENTAL AND NATURAL RESOURCES

The Group's operational activities do not have significant impacts on the environment and natural resources, and the Company shall ensure compliance with all applicable environmental related legislations and regulations.

4. CLIMATES CHANGE

The Group's operational activities do not have significant impacts on or by the climate-related issues.

B. SOCIAL ASPECT

1. EMPLOYMENT AND LABOUR PRACTICES

The Group offer competitive remuneration packages to our employees, with discretionary bonuses issued based on individual performance and our business performance.

Our human resources practices are established to align with the applicable laws and regulations with regard to recruitment, compensation and dismissal, other benefits and welfare, promotion, working hours, equal opportunities, diversity and anti-discrimination. The Group embraces diversity and provides employees with equal opportunity. Employees are assessed and hired based on their capabilities, regardless of their age, gender, nationality, cultural background, religious belief, etc. During the financial year ended 31 December 2022, the Group complied with Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and other labour related laws and regulations.

Employment

As at 31 December 2022, the Group employed 122 employees (31 December 2021: 104 employees) and appointed 7 Directors (31 December 2021: 7 Directors) in Hong Kong and South Korea. Among all, 41.80% is female and 58.2% is male; most of the employees are under full time contracts, except there was 9.8% of employees are relievers; 11.5% is under 30 years old; 47.5% is between 30 to 50 years old; 41.0% is above 50 years old; 93.4% is from Hong Kong and stationed in Hong Kong and 6.6% is Korean stationed in South Korea.

Employment Turnover

During the year ended 31 December 2022, the Group's overall employment turnover rate was approximately 21.0%. The breakdown by gender is 44.4% male and 55.6% female. The breakdown by age group is 22.2% below 30 years old; 48.9% between 30 to 50 years old and 28.9% above 50 years old. The breakdown by geographic region is 100% in Hong Kong and 0% in South Korea.

2. HEALTH AND SAFETY

The Group is subject to the health and safety requirements of Hong Kong including, but not limited to, the Occupational Health and Safety Ordinance and the Factories and Industrial undertakings Ordinance. The Group The Group's liability to the employees is covered by insurance, which are required by law to take out. During the year ended 31 December 2022, the Group was not aware of any gross violations of relevant laws and regulations relating to the significant impacts of the provision of safe working environment and protection of employees. In addition, no substantial fines or sanction for such non-compliance was imposed on the Group in the year ended 31 December 2022.

In order to protect our employees during the impact of COVID-19, all employees working in offices or any sites must wear masks according to regulations. The Group provides hand sanitizers for employees throughout the Company to reduce the risk of virus transmission.

The Group also extends the protection to our clients of co-working offices by installation of the energy-saving disinfecting radiator, Aairpurion 90, works its UV magic to keep our common areas safe and clean. The German-made devices are installed in some of the Group's co-working offices.

The Group does not have an insurable interest in relation to the employees of the contractors. The contractors are required by law to take out insurance which covers their liabilities to their employees. However, our strict quality control measures require our contractors to comply with the relevant rules and regulations including environmental, labour, social and safety regulations to minimize our risks and liabilities.

The number of work-related fatalities occurred in each of the past three years ended 31 December 2022 was zero. The lost days due to work injury was zero for the year ended 31 December 2022.

3. DEVELOPMENT AND TRAINING

To help nurture professional talents and to promote overall efficiency, increase the morale and loyalty of the employees, the Group provides on-the-job training, professional membership reimbursements and assists our employees in completing the mandatory basic safety training courses and fulfilling the continuous professional training hour requirement. Our employees are also encouraged to pursue work-related advanced studies and attend seminars and workshops to hone their skills.

The Group provided below training courses to its employees for the year ended 31 December 2022:

Training courses	Department/Employees
Orientation for new employees	All new employees
Accounting System Training	Accounting Department Staffs
HR System Training	HR Department Staffs
Wine Trading System Training	Accounting Staffs and Information Department Staffs
Security Training	All security Staffs
Customer Services Training	All property management Staffs
Chemical usage and storage management	All property management Staffs
Property Management Training	All property management Staffs
Occupational Safety and Health Management	All property management Staffs

During the year ended 31 December 2022, the percentages of employees (includes those terminates left during the year) taken any training are listed as follow, the training hours completed by employee was ranged from 1 hour to 15 hours depends on their job requirement:

Overall	49.10%
By gender	
– Male	59.09%
– Female	40.91%
By Level	
– Top Management	16.67%
– Middle Level	21.21%
– General Staff	62.12%

4. LABOUR STANDARDS

The Group is committed to protecting human rights. We have zero tolerance on forced labour, child labour, or illegal immigrant labour. The Group complies with all relevant laws and regulations towards the use of forced labor and child labor in our business operations.

Our human resources manager is responsible for screening out any suspicious candidates during recruitment process. In order to avoid any violation in the project development sites, our project development department also inspected regularly on construction sites to eliminate any chance on illegal employment. The Group aims not to be directly or indirectly complicit in human rights abuses and to ensure that all work that is performed on our behalf is in compliance with all relevant labor laws and regulations.

5. SUPPLY CHAIN MANAGEMENT

Property Development

The Group outsourced different parts of the construction work to qualified general construction contractors for. These contractors are registered licensed building contractor certified by the Buildings Department. Contractors are selected based on the project size, capability, contractors' qualification and relevant experience. The Group would also take into account the reputation of the contractors for reliability, quality and safety, price quotations, level of experience, technical capabilities, industry reputation and the references provided in the selection process. The Group requires our contractors to comply with the relevant rules and regulations including environmental, labour, social and safety regulations to minimize our risks and liabilities. The project development department monitors cost control and construction progress closely during construction with periodic on-site supervision and stringent quality control procedures.

For Property Development business, 100% of suppliers are employed in South Korea for the South Korea projects; as well as 3% of suppliers are employed in South Korea and 97% of suppliers are employed in Hong Kong for Hong Kong projects.

Wine Trading Business

Our fine wine trading business has over 10 years operation; we have maintained a long-term co-operating suppliers list. We sources wines internationally and locally base on the customers' needs and our business plan and consider if we should purchase wines from existing suppliers or identify any new suppliers. The suppliers' reputation and scale will be the main factors when we look for new supplier. We may also source broking stocks for clients locally.

For the wine trading business, we have 37 suppliers from Hong Kong; 25 from France; 1 from USA and 1 from UK for the year ended 31 December 2022.

Other Business Segments

The Group conducts wine cellar; workshop, storage, apartment business in Hong Kong. Due to the nature of the business, all of the suppliers are from Hong Kong.

6. PRODUCT RESPONSIBILITY

The Group places great emphasis on the quality control of the construction of our properties, including the procurement of construction materials, materials for external finishes, interior finishes and interior fittings, and appliances for our property development projects, to ensure compliance with our quality standard. The Group places emphasis on project supervision to ensure that our project development projects meet our quality standards and comply with the relevant laws and regulations.

Quality control starts with the selection of qualified construction contractors. Most of our major contractors engaged by us had industry accreditations such as ISO 9001, ISO 14001 and/or OHSAS 18001. The Group inspects and reviews the qualification and performances of the contractors regularly to ensure they are performing up to our standards and in compliance with the laws and regulations.

Our project development department conducts pre-qualification checks on the construction companies and periodically reviews the suitability to entrust them with our construction works mostly based on our past experience in doing business with them. Further, it is the responsibility of our contractors to procure construction materials, such as materials for external finishes, interior finishes and interior fittings, and appliances for our property development projects. They are required to procure, inspect or test any goods or materials to ensure they meet our requirements and specifications in accordance with relevant laws, codes of practice and requirements of the relevant government authorities, for example, the contractors are required to arrange testing of sample of concrete at laboratories, and submit the test report to the government for approval; for other materials such as iron and steel, the contractors are required furnish us information such as the origin and mill certificates of the material, and the relevant QC production certificates, especially for prefabricated building units, to ensure that the quality complies with our requirement, and all raw materials types, standards, quality must also meet with the satisfaction of our appointed architects and engineering consultants for these building projects.

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

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

As part of our quality control policy, we would also require each of our purchasers to acknowledge and sign on a property handover form, confirming that the purchaser has received and is satisfied with the building unit he/she has bought, together with items ancillary to the unit, such as keys, fitting and fixtures. We provide comprehensive after-sale services including handling customer complaints and supervising the repair and ongoing maintenance of the property developed. The Group also requires the contractors to provide a defect liability period, which normally lasts for one year upon completion, during which any defects of the property reported by the property manager and customers will be forwarded to the main contractor for following up and rectification with no additional costs to the purchasers.

During the year ended 31 December 2022, the Group was not aware of any incidents of non-compliance with relevant laws and regulations that have a significant impact on the issue relating to health and safety, advertising, labelling and privacy matters relating to products provided and methods of redress.

Product safety and health

The Group's products are mainly property units, fine wines and there is nil recall for safety and health reasons. We treasure the client's feedback on our developed properties and fine wines, we provide after-sales follow up to ensure the delivered property units and fine wines aligned with the delivery standard.

Intellectual Property Rights

The Group has applied relevant trademarks and domains to protect our intellectual property rights.

Product Return and Recall Policy, Customer Complaint Handling

The Group maintains the usual high quality of our products, if customers have any compliant or comments to the quality of our products, they may contact our sales team and we would arrange to handle the issues in accordance with the terms written in the sales contracts.

Protecting Customer's Privacy

We respect customers' privacy and had implemented measures to protect it. Our staff was well trained to handle materials containing sensitive information of our customers. Firewall and antivirus solutions were installed in our information technology infrastructure to help protect customers' information.

7. ANTI-CORRUPTION

The Group adheres to stringent anti-corruption policies as stated in the Group's Office Manual that includes Integrity of Business Practices, ethical standard, conflicts of interest, breach of conduct, handling of confidential information and legal requirement on prevention of bribery and against corruption.

The Group has adopted best practices with respect to whistle-blowing. Details of our whistle-blowing policy and procedures are published on our Company website.

The Group circulates anti-corruption training materials or updates to all employees from time to time. No cases of corruption were reported within the Group during the year ended 31 December 2022.

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

8. COMMUNITY INVESTMENT

The Group targets to dedicate itself to take up its corporate social responsibility for the communities where it is present. As a responsible global citizen, the Group is committed to improving social image and social responsibilities through community investment. All employees of the Group are encouraged to take the initiative to help and support local communities and neighbourhood.

The focus areas of contribution from the Group are environmental concerns, labour needs and health and entrepreneurship in young adults in following ways:

(1) Environmental concerns: the Group has introduce Green Office policy to encourage environmental friendly attitudes;

(2) Labour Needs and Health: the Group has introduced birthday leave to give the staff a half day off in their birthdays to encourage work-life balance;

(3) Entrepreneurship in young adults: the Group has focused on supporting young people in Hong Kong to pursue their passions and dreams as part of our corporate social responsibilities by investing into the funds that shared the same concept; and

(4) Social caring: the Group has introduced a community services leave to encourage its employees to participate in serving the society.

The Board presents their report and the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES

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; 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 brand name of "Metropolitan". Besides, the Group is also engaged in fund investment and fund management during the Reporting Period. Details of which are set out in "Management Discussion and Analysis" and note 7 of the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW

Discussion and analysis of the Group's business as required by Schedule 5 of the Companies Ordinance and A.1.2 of Corporate Governance Code in Appendix 14 the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), including a fair review of the Group's business; a description of the principal risks and uncertainties facing by the Group; analysis using financial key performance indicators; particulars of important events affecting the Group and an indication of likely future developments and long term business strategy in the Group's business, are included in the "Chairman's Statement" and "Management Discussion and Analysis" set out in this annual report on page 4 and page 5 to page 14, respectively. The discussion and analysis form part of this Report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group endeavors to attain long-term sustainable development by addressing social, governance and environmental risks and benefits into our business decision-making and into the inception, design, construction, occupation, demolition and revitalization phases of our development projects. The Group works closely with our consultants and contractors to achieve innovative and elegant designs while being compatible and sensitive to our environmental and social responsibilities. The construction-related work for our property development projects are outsourced to independent construction companies who are subject to various environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control, drainage control and noise control.

The Group has taken measures to promote environmental-friendliness of the workplace by encouraging green office culture through paper recycling culture, water conservation measures and energy-saving culture within the Group to reduce the impact of operations on the environment and natural resources. More details can be found in the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is concerned, the Group has complied in material aspects in the relevant applicable laws and regulations that have a significant impact on the businesses and operations of the Group during the Reporting Period.

RELATIONSHIP WITH EMPLOYEE, CUSTOMERS AND SUPPLIERS

The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. The total remuneration of employees includes basic salaries and discretionary bonus. Moreover, the Group has also adopted a share option scheme. The remuneration policy of the Directors are reviewed and determined by the remuneration committee of the Company having regard to the Directors' experience, responsibilities, workload and time devoted to the Group and performance of the Group.

Major customers of the Group are purchasers. The Group strives to develop and deliver high quality property units with innovative and elegant designs to our customers in general. In order to realize the Group's pledge of enhancing customer satisfaction persistently, the Group has assured to adopt the best concepts and the best quality of products in development projects.

The major service providers of the Group are contractors, architectural firms, law firm, and consultancy services provider. The Group has good cooperation relationship with suppliers in general, and strategic cooperation agreements have been signed with a number of high quality suppliers for the realization of higher quality in construction work and materials supplied. The Group will uphold the win-win principle to achieve joint developments with suppliers in general.

RESULTS

The results of the Group for the Reporting Period and the Group's the financial position at that date are set out on pages 69 to 72 of this annual report. The summary of the result and the assets and liabilities of the Group for the last five financial years are also set out on page 180 in this annual report.

DIVIDENDS

The Board does not recommend the payment of final dividend for the Reporting Period (2021: Nil). During the Reporting Period, the Board did not declare any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

ANNUAL GENERAL MEETING

The 2023 annual general meeting ("**AGM**") of the Company will be held on Thursday, 1 June 2023 and the notice of 2023 AGM will be published and despatched in the manner as required by the Listing Rules on the Stock Exchange in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the Register of Members will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023 (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 of the Company accompanied by the relevant share certifcates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited (the "**Share Registrar**") at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 May 2023.

BORROWING FACILITIES

Particulars of the borrowing facilities of the Group as at 31 December 2022 are set out in note 29 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTIES HELD FOR SALE

Details of investment properties and properties held for sale of the Group as at 31 December 2022 are set out in notes 17 and 24 to the consolidated financial statements, respectively.

SHARE CAPITAL

Particular of the movements in share capital of the Company during the Reporting Period are set out in note 31 to the consolidated financial statements.

RESERVES

The movements in reserves of the Group and the Company during the Reporting Period are presented in the consolidated statement of changes in equity on page 73 and in note 41 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to approximately HK$687.2 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the largest supplier and the top five largest suppliers accounted for approximately 45.3% and 51.0% of our total cost incurred of the Group during the Reporting Period, respectively. Our top five suppliers comprised contractors, property agency, and architectural firm and consultancy service providers. The aggregate amount of operating revenue attributable to the Group's largest customers and five largest customers represented 68.3% and 73.6% of the Group's total operating revenue for the year, respectively.

None of the Directors or any of their associates or any shareholders of the Company (the "**Shareholders**") (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

EQUITY-LINKED AGREEMENTS

For the Reporting Period, the Company has not entered into any equity-linked agreement, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2022.

MANAGEMENT CONTRACTS

No contracts concerning to the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the Reporting Period.

DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this annual report were:

Executive Directors:
Mr. Chan Man Fai Joe
Ms. Cheung Wai Shuen
Ms. Hui Ying Ying (Resigned on 7 February 2022)

Non-executive Directors:
Mr. Yim Kwok Man
Mr. Tsui Wing Tak (Appointed on 7 February 2022)

Independent non-executive Directors:
Dr. Wong Wai Kong
Mr. Lee Chung Ming Eric
Ms. Chan Wah Man Carman

In accordance with article 111 of Articles of Association, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation pursuant to article 108. Mr. Tsui Wing Tak was appointed as a non-executive Director on 7 February 2022 by the Board to fill a causal vacancy and shall be subject to retirement by rotation pursuant to article 108.

In accordance with article 108 of Articles of Association, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to one-third will retire from the office. The retiring Directors will be eligible for re-election. Accordingly, Mr. Chan Man Fai Joe, Ms. Chan Wah Man Carman and Dr. Wong Wai Kong shall retire at the forthcoming AGM and, being eligible, have offered themselves for re-election.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

As at the date of this annual report, biographical details of the Directors and senior management of the Group are set out on pages from 15 to 19 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received confirmation from each of the INEDs as regards their independence to the Company for the Reporting Period pursuant to Rule 3.13 of the Listing Rules and considers that each of the INEDs is independent to the Company.

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

As at 31 December 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 ("**SFO**")) which were notified to the Company and 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, to be notified to the Company and the Stock Exchange were as follows:

(A) LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES AS AT 31 DECEMBER 2022

Name of Directors/ chief executive	Number of Shares held (Beneficial owner/through controlled corporation)	Interests in share option *(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 Carman	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 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 31 December 2022.*

(B) LONG POSITIONS IN THE DEBENTURES AS AT 31 DECEMBER 2022

Name of Directors/ chief executive	Amount of debentures Personal Interests	Family Interests	Corporation Interests	Total	Approximately percentage to the total amount of debentures in issued
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 31 December 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 31 December 2022, so far as our Directors are aware, the following persons (other than the Directors and the chief executive of the Company) had interests of 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 AS AT 31 DECEMBER 2022

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	1,384,000	–	0.22%
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 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 31 December 2022.*

5. *All the interests stated above represent long positions.*

As at 31 December 2022, so far as the Directors are aware, no person had interests of 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.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The Company has entered into service contracts with each of the executive Directors and a letter of appointment with each of the NEDs and INEDs, major terms of which include that (1) the tenure of each Director shall continue till the expiration of the term of the current session of the Board; and (2) the tenure may be terminated in accordance with respective terms of the contract. The service contracts may be renewed under the Articles of Association and applicable rules.

Save as disclosed above, none of the Directors has entered into a contract of service with the Company which is not determinable by the Company within one year without payment of compensation, other than statuary compensation.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

Save as disclosed in notes 28, 30 and 39 to the consolidated financial statements, none of the Directors had any direct or indirect material interest in any significant contract, transaction and arrangement with the Group during the Reporting Period and at the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the details disclosed under the section headed "Share Option Scheme" in this annual report, at no time during the Reporting Period, none of the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company, including their spouses and children under 18 years of age, to acquire benefits by means of the acquisition of shares in, or debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDER

Mr. Chan Man Fai Joe, the controlling shareholder of the Company, had entered into a Deed of non-competition in favour of the Company on 27 June 2016. Mr. Chan Man Fai Joe has confirmed in writing with the Company that he has complied with the undertakings under the Deed of non-competition during the Reporting Period. The INEDs have also reviewed such confirmation on the undertakings of the Deed of non-competition by Mr. Chan Man Fai Joe and evaluated the effectiveness of the implementation of the Deed of non-competition and confirmed that there was no breach of undertakings in the Deed of non-competition by Mr. Chan Man Fai Joe during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors are interested in any business apart from the Group's businesses which competes or is likely to compete, directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the Reporting Period and up to the date of this annual report.

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 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 31 December 2022, the aggregate interest in the shares in the Company held by Mr. Chan Man Fai Joe, directly and indirectly, is 440,640,800 shares, representing approximately 68.69% of issued share capital of the Company.

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 (as defined below) 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.

ELIGIBLE PARTICIPANTS

(a) Our Board may at its discretion grant options to: (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("**Affiliate**"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

(b) In order for a person to satisfy the Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).

(c) Each grant of options to a connected person (as defined in the Listing Rules) of the Company, or any of his associates (as defined in the Listing Rules), must be approved in accordance with the requirements of the Listing Rules.

(d) Should the Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, the Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to certain requirement as stated in the Share Option Scheme.

TOTAL NUMBER OF SECURITIES AVAILABLE FOR ISSUE

Pursuant to Note 2 to Rule 17.03(3) of the Listing Rules and the rules of the Share Option Scheme, the maximum number of shares of the Company ("**Shares**") which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares which can be awarded under the Share Option Scheme was 22,400,000 Shares, being 10% the total number of Shares in issue as at the Listing Date unless the Company obtains the approval of the shareholders in general meeting for refreshment. On 26 January 2021, the Company has passed at an extraordinary general meeting to grant 10,000,000 share options to Mr. Chan Man Fai Joe and to refresh its scheme mandate limit to 64,149,800 Shares (excluding share options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme), being 10% of the total number of Shares in issue as at the date of passing the resolution approving the proposed refreshment of scheme mandate limit at the extraordinary general meeting and granted.

As at 31 December 2022, the issued share capital of the Company is HK$6,414,980, divided into 641,498,000 Shares, all fully paid or credited as fully paid. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme was 31,007,600 and the remaining number of share options may be granted under the Share Option Scheme Mandate Limit was 32,149,800 (31 December 2021: 28,699,800). The total number of Shares available for issue under the Share Option Scheme is 63,157,400, which represented 9.85% of the Share in issue of the Company. The total number of Shares available for issue under the Share Option Scheme is 32,149,800, which represented 5.01% of the Share in issue of the Company as at the Date of this Annual Report.

MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

GRANT OF OPTIONS TO CONNECTED PERSONS

Any grant options to a substantial shareholder or any INEDs or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, such further grant of options shall be approved by our Shareholders in general meeting. The proposed grantee, his associates and all our core connected persons shall abstain from voting in favour at such general meeting.

TIME OF EXERCISE OF OPTION

Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

PERIOD OF THE SHARE OPTION SCHEME

Options may be granted to Eligible Participants under the Share Option Scheme during the period of ten years commencing on 27 June 2016, the effective date of the Share Option Scheme. Details of the Share Option Scheme are set out in section headed "Share Option Scheme", in the Prospectus dated 30 June 2016.

ACCEPTANCE OF THE SHARE OPTION

A nominal consideration of HK$1.00 is payable on or before the last day for acceptance of the option by each grantee of the Share Option Scheme.

If the above has any contradictions with Chapter 17 of the Listing Rules, the Group shall follow the new rules and adopts the new Share Option Scheme.

BASIS FOR DETERMINATION OF THE EXERCISE PRICE

The exercise price for any share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee (in the letter containing the offer of the grant of the option) and shall not be less than the highest of:

(a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day;

(b) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date of grant of the relevant option; and

(c) the nominal value of a share on the date of grant.

THE REMAINING LIFE OF THE SCHEME

Approximately 4 years (expiring on 27 June 2026).

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

Date of Grant	Total number of share option granted	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:

1. *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.*

2. *All of the granted share options were either exercised or lapsed or cancelled.*

During the Reporting Period, 3,450,000 share options granted under the refreshed Scheme Mandate Limit were lapsed; 1,646,400 share options granted under the previous Scheme Mandate Limit were lapsed (which cannot be added back to the Scheme Mandate Limit); and nil share option has been exercised.

Detailed accounting policies adopted for the share options are described in note 4 and note 32 to the consolidated financial statements.

DETAILS OF THE MOVEMENTS IN THE COMPANY'S SHARE OPTIONS DURING THE YEAR ENDED 31 DECEMBER 2022 ARE SET OUT BELOW:

Name of category	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Adjusted during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2022	Approximate percentage of the issued shares of the Company
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 Directors								
Mr. Yim Kwok Man	1,070,400	–	–	–	–	–	1,070,400	0.17%
Mr. Tsui Wing Tak (Appointed on 7 February 2022)	–	–	–	–	–	–	–	0.00%
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	–	–	–	–	(2,420,400)	14,896,400	2.32%
	36,104,000	–	–	–	–	(5,096,400)	31,007,600	

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, a NED, 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 operates its businesses independently of, and at arm's length from the competing entities.

Save as disclosed above, as at 31 December 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.

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 throughout the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands where the Company is incorporated.

PERMITTED INDEMNITY PROVISION

For the Reporting Period, pursuant to the Articles of Association of the Company, every Director and other officers shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of the duties of their duty, or supposed duty in their respective office or otherwise in relation thereto. The Company has arranged appropriate insurance cover in respect of potential legal actions against the Directors and officers.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard in corporate governance practice. For the Reporting Period, the Company has complied with the code provisions under the Corporate Governance 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 individual. Information about the corporate governance practice adopted by the Company is set out in the "Corporate Governance Report" on pages 20 to 34 of this annual report.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments for the Reporting Period are set out in note 11 to the consolidated financial statements.

EMOLUMENT POLICY

The remuneration committee of the Company will review the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The emoluments of the Directors are recommended by the remuneration committee of the Company for the Board's approval, having regard to the Group's operating results, individual performance and comparable market statistics. No Director or executive, nor any of his/her associates, is involved in deciding his/her own remuneration.

For details of the remuneration of employee of the Company, please refer to the section headed "Employees and Remuneration Policy" in "Management Discussion and Analysis" in this annual report.

The Company has adopted a share option scheme (the "**Share Option Scheme**") to attract and retain the best available personnel, to provide additional incentive to employees, directors, advisors, consultants, service providers, agents, customers, partners or joint-venture partners of the of the Group and to promote the success of the business of the Group. For details of the Share Option Scheme, please refer to the section headed "Share Option Scheme" above.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information during the year ended 31 December 2022, 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 ED and ceased to be a member of executive committee of the Company with effect from 7 February 2022.
Mr. Tsui Wing Tak	Appointed as a NED and a member of risk control committee of the Company with effect from 7 February 2022. Appointed as an ED 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.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions for the Reporting Period as disclosed in note 39 to the consolidated financial statements also constituted fully exempted connected transactions of the Company in accordance with Chapter 14A of the Listing Rules. Details of these continuing connected transactions (as defined in the Listing Rules) of the Company are set out below.

1. EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(a) MOTOR VEHICLE LICENSE AGREEMENT

Star Properties (H.K.) Limited (an indirect wholly-owned Subsidiary of the Company) entered into an agreement with Vogue City Limited on 1 January 2022, pursuant to which the Group agreed to rent a motor vehicle for a term of 1 year with monthly rental rate of HK$5,000. The annual caps of the transaction contemplated under Motor Vehicle License Agreement for the year ended 31 December 2022 is HK$45,000.

Vogue City Limited is a company incorporated in Hong Kong and wholly owned by Mr. Chan Man Fai Joe, the chairman and executive Director and controlling shareholder of the Company. The principal activity of Vogue City Limited is property holding.

(b) WINE CELLAR STORAGE AGREEMENT

Metropolitian Wine Cellar Limited (an indirect partially-owned subsidiary of the Company) entered into an agreement with Mr. Chan Man Fai Joe on 25 October 2022, pursuant to which the Group agreed to lease a storage of wine cellar for a terms of 2 years and 2 months started from 1 November 2022 with total rent payment of HK$37,000 to Mr. Chan. The annual cap of the transaction contemplated under Wine Cellar Storage Agreement for the year ended 31 December 2022 is HK$37,000.

Mr. Chan Man Fai Joe is the chairman and executive Director and controlling shareholder of the Company.

During the year under review, the amount of Motor Vehicle License Agreement amounted to HK$45,000 and of wine cellar storage agreement amounted to HK$37,000, which did not exceed the annual caps for these transactions.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient prescribed amount of public float as required under the Listing Rules throughout the Reporting Period and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

As from 31 December 2022 to the date of this annual report, saved as disclosed elsewhere in this annual report, the Board is not aware of any significant events that have occurred which require disclosure herein.

REVIEWED BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the Reporting Period have been reviewed by the audit committee of the Company. The audit committee is of the opinion that the consolidated financial statements of the Group for the Reporting Period comply with applicable reporting standards, Listing Rules, and that adequate disclosures have been made.

AUDITOR

BDO Limited ("**BDO**") was appointed as the auditor of the Company. The consolidated financial statements for the year ended 31 December 2022 have been audited by BDO, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of BDO as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Man Fai Joe
Chairman

Hong Kong, 29 March 2023

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF STAR GROUP COMPANY LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Star Group Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 69 to 176, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

DETERMINING NET REALISABLE VALUE OF PROPERTIES HELD FOR SALE

At 31 December 2022, the Group had properties held for sales at a carrying amount of HK$3,841,594,000 (2021: HK$3,871,827,000), which included completed properties of HK$580,956,000 (2021: HK$550,068,000) and properties under development of HK$3,260,638,000 (2021: HK$3,321,759,000), as disclosed in note 24 to the consolidated financial statements. These properties held for sales are stated at the lower of cost and net realisable value on an individual property basis. Net realisable value is estimated at the actual or estimated selling price less estimated cost to completion and costs necessary to make the sales. In addition, due to the unique nature of individual properties, estimation of selling prices is highly subjective which requires management's judgement on customer preferences. If the actual net realisable value on properties held for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material allowances for impairment losses may result.

We have identified the valuation of properties held for sale as a key audit matter due to significant management estimations involved in determining the net realisable value on properties held for sale.

Refer to summary of significant accounting policies in note 4, key sources of estimation uncertainty in note 5 and disclosure of properties held for sale in note 24 to the consolidated financial statements, respectively.

Our response:

Our procedures in relation to valuation of properties held for sale included:

- Assessing the reasonableness of the construction budget of properties under development by comparing them to actual construction cost incurred for the properties developed by the Group;

- Evaluating the appropriateness of the estimated selling price by comparing it with recent sales transactions for similar properties in similar locations; and

- Comparing the management's estimation of the estimated costs to completion per budget to the actual development cost incurred by the Group by reference to the latest progress of the development stage, on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

– identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Pak Tak Lun
Practising Certificate Number P06170

Hong Kong, 29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	*6*	**1,699,304**	78,436
Cost of sales and services		**(1,089,207)**	(15,751)
Gross profit		**610,097**	62,685
Other income	*8*	**32,520**	28,603
Gain/(loss) on change in fair value of investment properties	*17*	**9,726**	(8,528)
(Loss)/gain on change in fair value of financial assets at fair value through profit or loss	*23*	**(23,573)**	143
Gain on disposal of a subsidiary	*33*	**–**	2,168
Selling expenses		**(56,825)**	(3,737)
Administrative expenses		**(179,562)**	(97,919)
Finance costs	*9*	**(19,196)**	(19,416)
Share of results of an associate	*18*	**(403)**	–
Profit/(loss) before tax	*10*	**372,784**	(36,001)
Income tax expense	*13*	**(41,677)**	(1,545)
Profit/(loss) for the year		**331,107**	(37,546)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences:			
Exchange differences on translation of foreign operations		**3,956**	(3,419)
Share of other comprehensive income of an associate		**11**	–
		3,967	(3,419)
Total comprehensive income for the year		**335,074**	(40,965)
Profit/(loss) for the year attributable to:			
Owners of the Company		**329,933**	(37,134)
Non-controlling interests		**1,174**	(412)
		331,107	(37,546)

	Notes	2022 HK$'000	2021 HK$'000
Total comprehensive income attributable to:			
Owners of the Company		**333,659**	(40,327)
Non-controlling interests		**1,415**	(638)
		335,074	(40,965)
Earnings/(loss) per share (in HK cents)			
Basic	*14*	**51.43**	(5.79)
Diluted	*14*	**24.40**	(5.79)

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**4,745**	3,416
Investment properties	*17*	**883,038**	1,054,096
Investment in an associate	*18*	**15,424**	–
Investment in a joint venture	*19*	**–**	–
Deferred tax assets	*20*	**4,029**	3,005
Loan receivables	*21*	**76,355**	53,048
Deposits and other receivables	*22*	**102,426**	–
Amount due from a joint venture	*28*	**2,750**	–
Financial assets at fair value through profit or loss	*23*	**6,129**	6,873
		1,094,896	1,120,438
CURRENT ASSETS			
Inventories	*24*	**10,808**	7,056
Properties held for sale	*24*	**3,841,594**	3,871,827
Trade and other receivables	*22*	**64,124**	79,462
Financial assets at fair value through profit or loss	*23*	**10,773**	34,968
Amounts due from related companies	*28*	**92**	58
Tax recoverable		**404**	609
Stakeholders' accounts	*25*	**17,916**	82,243
Pledged bank deposit	*25*	**10,000**	10,403
Bank balances and cash	*25*	**57,501**	94,040
		4,013,212	4,180,666
CURRENT LIABILITIES			
Trade and other payables	*26*	**331,296**	218,944
Contract liabilities	*27*	**19,216**	137,177
Amount due to a director	*28*	**143,621**	121,527
Amounts due to related companies	*28*	**9**	2
Lease liabilities	*16*	**14,945**	17,706
Tax liabilities		**14,914**	128
Borrowings	*29*	**2,691,858**	2,139,654
		3,215,859	2,635,138
NET CURRENT ASSETS		**797,353**	1,545,528
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,892,249**	2,665,966

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	*16*	**32,020**	39,770
Borrowings	*29*	**–**	1,102,332
Convertible bonds – liability component	*30*	**88,208**	81,769
Deferred tax liabilities	*20*	**54,691**	59,839
		174,919	1,283,710
NET ASSETS		**1,717,330**	1,382,256
CAPITAL AND RESERVES			
Share capital	*31*	**6,415**	6,415
Reserves		**1,723,110**	1,385,540
Equity attributable to owners of the Company		**1,729,525**	1,391,955
Non-controlling interests		**(12,195)**	(9,699)
TOTAL EQUITY		**1,717,330**	1,382,256

The consolidated financial statements on pages 69 to 176 were approved and authorised for issue by the Board of Directors on 29 March 2023 and are signed on its behalf by:

Chan Man Fai Joe
Director

Cheung Wai Shuen
Director

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Shareholders' contribution HK$'000	Convertible bonds-equity component HK$'000	Merger reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2021	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 year	–	–	–	–	–	–	–	(37,134)	(37,134)	(412)	(37,546)
Other comprehensive income for the year	–	–	–	(3,193)	–	–	–	–	(3,193)	(226)	(3,419)
Total comprehensive income for the year	–	–	–	(3,193)	–	–	–	(37,134)	(40,327)	(638)	(40,965)
Recognition of equity-settled share-based payment *(note 32)*	–	–	9,541	–	–	–	–	–	9,541	–	9,541
Lapse of share options *(note 32)*	–	–	(1,980)	–	–	–	–	1,980	–	–	–
At 31 December 2021	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 year	–	–	–	–	–	–	–	329,933	329,933	1,174	331,107
Other comprehensive income for the year	–	–	–	3,726	–	–	–	–	3,726	241	3,967
Total comprehensive income for the year	–	–	–	3,726	–	–	–	329,933	333,659	1,415	335,074
Waiver of loan from a director *(note 31)*	–	–	–	–	3,911	–	–	–	3,911	–	3,911
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(436)	(436)
Refund of capital to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(3,475)	(3,475)
Lapse of share options *(note 32)*	–	–	(1,720)	–	–	–	–	1,720	–	–	–
At 31 December 2022	6,415	233,457	8,706	236	193,911	313,698	(150,227)	1,123,329	1,729,525	(12,195)	1,717,330

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Cash flows from operating activities		
Profit/(loss) before tax	**372,784**	(36,001)
Adjustments for:		
Depreciation of plant and equipment	**2,587**	1,517
Depreciation of right-of-use assets	**1,847**	1,917
Finance costs	**19,196**	19,416
Loss on disposal of plant and equipment	**34**	430
Loss on disposal of an investment property	**400**	65
Loss/(gain) on lease modification	**260**	(830)
Loss/(gain) on change in fair value of financial assets at fair value through profit or loss	**23,573**	(143)
Gain on disposal of a subsidiary	**–**	(2,168)
(Reversal of impairment loss)/impairment loss recognised on trade receivables	**(229)**	451
(Gain)/loss on change in fair value of investment properties	**(9,726)**	8,528
COVID-19-related rent concession from lessors	**–**	(60)
Interest income earned on bank balances	**(411)**	(206)
Equity-settled share-based payment expenses	**–**	9,541
Share of results of an associate	**403**	–
Waiver of an amount due to a related company	**–**	(7,009)
Unrealised exchange differences	**(9,431)**	(10,357)
Operating cash flows before movements in working capital	**401,287**	(14,909)
(Increase)/decrease in inventories	**(3,752)**	2,038
(Increase)/decrease in loan receivables	**(12,578)**	78,602
Decrease/(increase) in trade and other receivables	**1,453**	(34,046)
Decrease/(increase) in properties held for sale	**386,735**	(1,054,002)
Decrease/(increase) in stakeholders' accounts	**64,327**	(48,021)
Increase in trade and other payables	**120,417**	90,919
(Decrease)/increase in contract liabilities	**(117,961)**	103,144
(Increase)/decrease in amounts due from related companies	**(34)**	14,655
Increase/(decrease) in amounts due to related companies	**7**	(6,810)
Cash generated from/(used in) operations	**839,901**	(868,430)
Income tax paid	**(32,982)**	(3,131)
Net cash generated from/(used in) operating activities	**806,919**	(871,561)

	2022 HK$'000	2021 HK$'000
Cash flows from investing activities		
Purchase of investment properties	**(16,264)**	(58,133)
Purchase of property, plant and equipment	**(4,781)**	(1,571)
Proceeds from disposal of a subsidiary	**–**	51,750
Proceeds from disposal of plant and equipment	**–**	240
Proceeds from disposal of an investment property	**6,400**	19,000
Proceeds from redemption of financial assets at fair value through profit or loss	**1,366**	–
Release/(placement) of pledged bank deposit	**403**	(22)
Deposit paid	**(99,041)**	–
Increase in amount due from a joint venture	**(2,750)**	–
Investment in an associate	**(15,827)**	–
Interest received from bank	**411**	206
Net cash (used in)/generated from investing activities	**(130,083)**	11,470
Cash flows from financing activities		
Borrowings raised	**810,142**	1,454,646
Repayments of borrowings	**(1,355,298)**	(518,915)
Repayments of lease liabilities	**(21,144)**	(18,882)
Dividends to non-controlling shareholders	**(436)**	–
Refund of capital to non-controlling shareholders	**(3,475)**	–
Increase in amount due to a director	**26,005**	68,854
Interest paid	**(167,569)**	(84,192)
Net cash (used in)/generated from financing activities	**(711,775)**	901,511
Net (decrease)/increase in cash and cash equivalents	**(34,939)**	41,420
Cash and cash equivalents at beginning of year	**94,040**	55,457
Effect of foreign exchange rate changes	**(1,600)**	(2,837)
Cash and cash equivalents at end of year represented by bank balances and cash	**57,501**	94,040

1. GENERAL

Star Group Company 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 ("**Mr. Joe Chan**"), who is the chairman of the Board of Directors and an executive director of the Company. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. With effect from 31 October 2022, its principal place of business is changed from 17/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong to Unit 603, 6/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, 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 and security services, provision of finance, trading of fine wine and provision of media production services.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(A) ADOPTION OF NEW OR AMENDED 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:

Annual improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework

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

None of these amendments has a material impact on the Group's consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(B) NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants ("**2022 Amendments**")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
HKFRS 17	Insurance Contracts and the related Amendments[1]

[1] *Effective for annual periods beginning on or after 1 January 2023*
[2] *Effective for annual periods beginning on or after 1 January 2024*
[3] *No mandatory effective date yet determined but available for adoption*

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify that the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that an entity will exercise its right to defer settlement of a liability. The amendments also clarify the situations that are considered a settlement of a liability.

In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively. Earlier application is permitted.

The directors of the Company are currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(B) NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company are currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. Earlier application is permitted.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 12, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(B) NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE (Continued)

Amendments to HKAS 12, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Continued)

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. For entities which may have already accounted for such transactions consistent with the new requirements, these entities will not be affected by the amendments.

The directors of the Company do not anticipate that the application of these amendments and revision in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The amendments are to be applied prospectively.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transaction arise.

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

The amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e. 1 January 2019). Earlier application is permitted.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(B) NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE (Continued)

HKFRS 17, Insurance Contracts and the related Amendments

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Amendments in 2020 introduced changes to simplify some of the requirements; make financial performance easier to explain and ease transition by providing addition transition reliefs. Amendments in 2022 introduced a transition option relating to comparative information about financial assets presented on initial application of HKFRS 17 to avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

The directors of the Company do not anticipate that the application of these standard and amendments in the future will have an impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

3. BASIS OF PREPARATION (Continued)

BASIS OF MEASUREMENT AND GOING CONCERN BASIS

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out in note 4.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties and financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out note 4 below.

3. BASIS OF PREPARATION (Continued)

BASIS OF MEASUREMENT AND GOING CONCERN BASIS (Continued)

As at 31 December 2022, the Group had borrowings amounted to HK$2,691,858,000 that are repayable within twelve months after the reporting date (note 29) while the Group only had cash and cash equivalents amounted to HK$57,501,000 as of the same date. In preparing these consolidated financial statements using the going concern basis, the directors of the Company considered the future liquidity of the Group based on a cash flow forecast covering 12 months from the end of the reporting period that takes into account of the following:

(i) Up to the date of this report, the Group has started pre-selling residential units of a property project under development during the year 2023. The project had a carrying amount of approximately HK$2,147 million as at 31 December 2022. The Group expects to receive deposits from the pre-sale in 2023 sufficient to cover the said carrying amount and the cost to complete of the project with acceptable profit margin;

(ii) The Group has sufficient unutilised credit facilities of approximately HK$53 million as at 31 December 2022 available to support on-going development of various property projects; and

(iii) As at 31 December 2022, out of the borrowings classified as current liabilities, HK$227,160,000 of which is scheduled for repayment after 1 year but the lenders have unconditional right to demand repayment at any time at its own discretion and therefore they are classified as current liabilities. Furthermore, included in borrowings scheduled for repayment within 1 year of HK$760,060,000 are revolving loan facilities which are subject to review by relevant banks periodically. These borrowings were either pledged by the Group's property projects or investment properties. After assessing the value of these collaterals and compliance with the financial covenants stipulated in relevant facility agreements, the directors considered that it is highly unlikely that the relevant banks or financial institutions will exercise their discretion to demand immediate repayment and believes that the borrowings will be repaid in accordance with scheduled repayment dates and that the credit facilities will continue to be available for the next twelve months.

FUNCTIONAL AND PRESENTATION CURRENCIES

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

4. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF CONSOLIDATION (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss on disposal is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill, if applicable), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

ACQUISITION OF A SUBSIDIARY NOT CONSTITUTING A BUSINESS

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

BUSINESS COMBINATIONS

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

SUBSIDIARIES

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

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

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

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

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

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

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

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

Output method

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

Existence of significant financing component

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Existence of significant financing component (Continued)

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

Incremental costs of obtaining a contract

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

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

REVENUE AND OTHER INCOME RECOGNITION POLICIES

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(ii) Revenue from sales of goods are recognised at a point of time when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion right to direct the goods and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(iii) Revenue from provision of services is recognised over time as those services are provided. Revenue from providing service is recognised using output method on a straight-line basis over the terms of the fixed-price contract or according to value of the progress towards satisfaction of the performance obligation.

(iv) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as property, plant and equipment. Right-of-use assets that meet the definition of investment property or inventory are presented within “investment properties” or “properties held for sale” respectively.

Refundable rental deposits

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

– fixed payments (including in-substance fixed payments) less any lease incentives receivable;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the Group under residual value guarantees;

– the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

– payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

The Group as a lessee (Continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Group as a lessor

Classification and measurement of leases

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

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate leases. The sub-lease is classified as finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

The Group as a Lessor (Continued)

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Lease modification

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

FOREIGN CURRENCIES

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFITS COSTS

Payments to the Mandatory Provident Fund Scheme (the "**MPF Scheme**") are recognised as an expense when employees have rendered service entitling them to the contributions.

SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENT ARRANGEMENTS

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to directors of the Company and employees of the Group who have contributed or will contribute to the Group are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences except the taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purpose.

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

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENT PROPERTIES (Continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

If an investment property becomes a property held for sale because the principal use of the property has been changed as evidenced by the commencement of development with a view to sale, the property will be reclassified to property held for sale at its fair value at the date of transfer. Subsequent to the changes, the property is stated at the lower of deemed cost, equivalent to the fair value at the date of transfer, and net realisable value.

ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the expected credit loss ("**ECL**") model to such other long-term interests where applicable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSOCIATES AND JOINT VENTURES (Continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

IMPAIRMENT ON ASSETS (OTHER THAN FINANCIAL ASSETS)

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

The recoverable amount of these assets is estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT ON ASSETS (OTHER THAN FINANCIAL ASSETS) (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

INVENTORIES

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

PROPERTIES HELD FOR SALE

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at FVTPL are recognised immediately in profit or loss. Trade receivable without a significant financing component is initially measured at the transaction price.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is held for trading if:

– it has been acquired principally for the purpose of selling in the near term;

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

Financial assets at FVTPL include derivative financial assets and investments at FVTPL.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, lease receivables, loan receivables, amounts due from a joint venture and related companies, stakeholder's accounts, pledged bank deposit and bank balances), which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties; or

– the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

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

- Past-due status; and

- Nature, size and industry of debtors.

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

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

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

Derecognition of financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other than the convertible bonds as described below, the financial liabilities (including trade and other payables, amount due to a director, amounts due to related companies and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

Convertible bonds which entitle the holder to convert the notes into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of other derivative features embedded in the compound instruments that are not closely related to the host contract are separately accounted for. The difference between the proceeds of issue of the convertible bonds and the fair values assigned to the liability component and the separated embedded derivatives, representing the embedded option for the holder to convert the bonds into equity of the Company, is included in equity as convertible bonds equity reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability, derivative and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT GRANT

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

RELATED PARTIES

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

RELATED PARTIES (Continued)

(b) (Continued)

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: (i) That person's children and spouse or domestic partner; (ii) Children of that person's spouse or domestic partner; and (iii) Dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

The following is the critical judgement, apart from those involving estimations (which is dealt with separately below), that management of the Group has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded whether the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time or the carrying amounts of investment properties are recovered entirely through sale and decided whether to recognise any deferred taxes on changes in fair value of investment properties.

Provision of income tax

The Group is mainly subject to income taxes in Hong Kong and South Korea. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income tax as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated net realisable value on properties held for sale

In determining whether allowances should be made to the Group's properties held for sale, the Group takes into consideration the current market conditions to estimate the net realisable value (i.e. the actual or estimated selling price less estimated costs to complete and estimated costs necessary to make the sales). An allowance is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties held for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material allowances for impairment losses may result. As at 31 December 2022, the carrying amount of the properties held for sale was HK$3,841,594,000 (2021: HK$3,871,827,000).

Fair value of investment properties

As at 31 December 2022, investment properties were carried in the consolidated statement of financial position at aggregate fair value of HK$883,038,000 (2021: HK$1,054,096,000). The fair value was based on valuations on these properties conducted by independent qualified valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

Estimated impairment of loan receivables

Impairment of loan receivables is assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. Assessment are done based on the Group's historical credit loss experience, general economic conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan receivables are disclosed in notes 37 and 21, respectively. As at 31 December 2022, the carrying amount of loan receivables was HK$85,974,000 (2021: HK$73,396,000).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Fair value of financial instruments

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices.

6. REVENUE

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers		
Sales of properties	1,619,219	–
Provision of property management services	10,369	7,525
Provision of construction and fitting out works	6,472	3,906
Trading of fine wine	6,217	12,631
Service income from provision of media production services	632	1,713
	1,642,909	25,775
Revenue from other sources		
Rental income from leasing of:		
– investment properties	624	1,536
– service apartments	2,913	2,464
– storage and workshop	42,804	37,818
– wine cellars	6,596	6,367
Interest income from provision of finance	3,458	4,476
	56,395	52,661
Total revenue	1,699,304	78,436

6. REVENUE (Continued)

(I) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Segments	Property development		Provision of property management services		Trading of fine wine		Construction and fitting out works		Provision of media production services		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	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
Sales of properties:	1,619,219	–	-	–	-	–	-	–	-	–	1,619,219	–
Provision of property management services	-	–	10,369	7,525	-	–	-	–	-	–	10,369	7,525
Provision of construction and fitting out works	-	–	-	–	-	–	6,472	3,906	-	–	6,472	3,906
Trading of fine wine	-	–	-	–	6,217	12,631	-	–	-	–	6,217	12,631
Provision of media production services	-	–	-	–	-	–	-	–	632	1,713	632	1,713
Total	1,619,219	–	10,369	7,525	6,217	12,631	6,472	3,906	632	1,713	1,642,909	25,775
Geographical markets												
Hong Kong	459,079	–	10,369	7,525	6,217	12,631	6,472	3,906	632	1,713	482,769	25,775
South Korea	1,160,140	–	-	–	-	–	-	–	-	–	1,160,140	–
Total	1,619,219	–	10,369	7,525	6,217	12,631	6,472	3,906	632	1,713	1,642,909	25,775
Timing of revenue recognition												
A point in time	1,619,219	–	-	–	6,217	12,631	-	–	-	–	1,625,436	12,631
Over time	-	–	10,369	7,525	-	–	6,472	3,906	632	1,713	17,473	13,144
Total	1,619,219	–	10,369	7,525	6,217	12,631	6,472	3,906	632	1,713	1,642,909	25,775

6. REVENUE (Continued)

(II) PERFORMANCE OBLIGATIONS FROM 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 usually receives 3% to 14% of the contract value as deposits from customers when they sign the sale and purchase agreement. Such deposits result in contract liabilities being recognised throughout the property construction period.

(b) Provision of property management and security services

Revenue from provision of property management and security 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 and security services based on monthly statement issued using output method on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract.

(c) Provision of construction and fitting out works

Revenue from provision of property fitting out works is recognised as a performance obligation satisfied over time as the Group determines that the customer controls all the work in progress as the fitting out works are being conducted and the work in progress is being enhanced during the terms of the contracts. Revenue is recognised using output method according to value of the progress towards satisfaction of the performance obligation. Payment certificates are issued according to contractual terms and are usually payable within 30 days. Uninvoiced amounts are presented as contract assets.

(d) Trading of fine wine

Revenue from sales of fine wine is recognised at a point in time when customers obtain control of the goods when the goods are delivered to the customer, and have been accepted. There is generally only one performance obligation. Sale invoices are issued to customers upon transfer of control of goods except for sales made through online platform. For sale through online platform, sale invoices are issued to customer when sale orders are confirmed. Payment is due upon presentation of sale invoice.

Discounts and other cash incentive to customers are accounted for as reduction of the transactions price.

6. REVENUE (Continued)

(II) PERFORMANCE OBLIGATIONS FROM CONTRACTS WITH CUSTOMERS (Continued)

(e) Provision of media production services

The Group provides media production services in marketing, advertisement and organisation of music concerts.

Revenue from media production services is recognised over time as services are rendered. Revenue from providing these services is recognised using output method over the term of the fixed-price contract as the customer simultaneously receives and consumes the benefits provided.

Initial deposits are normally required before rendering the services. Service contracts are normally for periods of one year or less, and are billed based on achievement of milestones.

(III) TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION FOR THE 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.

7. 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 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 the property buyers
6. Wine business – sales of fine wine and rental income from leasing of wine cellars
7. Media production services – provision of media production services in marketing, advertisement and organisation of music concerts

7. OPERATING SEGMENTS (Continued)

SEGMENT REVENUE AND RESULTS

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

	Segment revenue		Segment results	
	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000
Property development	1,619,219	–	376,611	(9,618)
Property investment	46,341	41,818	30,086	2,348
Provision of property management services	10,369	7,525	(601)	464
Construction and fitting out works	6,472	3,906	173	1,611
Provision of finance	3,458	4,476	(4,056)	(424)
Wine business	12,813	18,998	975	1,943
Media production services	632	1,713	(6)	395
	1,699,304	78,436	403,182	(3,281)
Unallocated income			8,822	16,294
Unallocated expenses			(30,884)	(41,767)
Finance costs			(8,336)	(7,247)
Profit/(loss) before tax			372,784	(36,001)

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

7. OPERATING SEGMENTS (Continued)

SEGMENT ASSETS AND LIABILITIES

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

	2022 HK$'000	2021 HK$'000
Segment assets		
Property development	**4,044,592**	4,030,625
Property investment	**858,253**	1,043,632
Provision of property management services	**4,847**	1,916
Construction and fitting out works	**3,894**	2,893
Provision of finance	**102,321**	100,957
Wine business	**69,846**	60,635
Media production services	**961**	863
Total segment assets	**5,084,714**	5,241,521
Unallocated assets	**23,394**	59,583
Consolidated total assets	**5,108,108**	5,301,104
Segment liabilities		
Property development	**2,591,902**	2,914,247
Property investment	**479,751**	588,118
Provision of property management services	**502**	186
Construction and fitting out works	**11,593**	31,406
Provision of finance	**207,882**	148,633
Wine business	**54,932**	50,184
Media production services	**1,410**	774
Total segment liabilities	**3,347,972**	3,733,548
Unallocated liabilities	**42,806**	185,300
Consolidated total liabilities	**3,390,778**	3,918,848

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, pledged bank deposit, certain 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, liability component of convertible bonds and other corporate liabilities not attributable to the reportable segments.

7. OPERATING SEGMENTS (Continued)

OTHER SEGMENT INFORMATION

For the year ended 31 December 2022

	Property development HK$'000	Property investment HK$'000	Provision of property management services HK$'000	Construction and fitting out works HK$'000	Provision of finance HK$'000	Wine business HK$'000	Media production services 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	120,625	16,311	–	–	–	7,168	7	144,111	60	144,171
Depreciation of plant and equipment	1,770	412	–	59	10	198	37	2,486	101	2,587
Depreciation of right-of-use assets	152	385	–	–	–	1,310	–	1,847	–	1,847
Impairment loss/(reversal of impairment loss) recognised on trade receivables	259	(324)	(161)	12	–	(15)	–	(229)	–	(229)
Gain on change in fair value of investment properties	–	(8,585)	–	–	–	(1,141)	–	(9,726)	–	(9,726)
Interest expense	124,755	13,696	–	–	15,872	1,100	–	155,423	23,849	179,272
Loss on change in fair value of financial assets at FVTPL	–	–	–	–	–	–	–	–	23,573	23,573
Share of results of an associate	403	–	–	–	–	–	–	403	–	403
Amounts regularly provided to the CODM but not included in the measure of segment results:										
Interest income earned on bank balances	(284)	(7)	–	–	(1)	–	–	(292)	(119)	(411)

For the year ended 31 December 2021

	Property development HK$'000	Property investment HK$'000	Provision of property management services HK$'000	Construction and fitting out works HK$'000	Provision of finance HK$'000	Wine business HK$'000	Media production services 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	280	90,704	–	99	–	9	–	91,092	–	91,092
Depreciation of plant and equipment	13	1,026	–	93	10	228	40	1,410	107	1,517
Depreciation of right-of-use assets	607	–	–	–	–	1,310	–	1,917	–	1,917
Impairment loss recognised on trade receivables	–	364	–	–	–	87	–	451	–	451
Loss on change in fair value of investment properties	–	5,412	–	–	–	3,116	–	8,528	–	8,528
Interest expense	72,450	10,199	–	2	3,782	654	–	87,087	16,340	103,427
Gain on change in fair value of financial assets at FVTPL	–	–	–	–	–	–	–	–	(143)	(143)
Gain on disposal of a subsidiary	–	(2,168)	–	–	–	–	–	(2,168)	–	(2,168)
Amounts regularly provided to the CODM but not included in the measure of segment results:										
Interest income earned on bank balances	(156)	(28)	–	–	–	–	–	(184)	(22)	(206)

7. OPERATING SEGMENTS (Continued)

GEOGRAPHICAL INFORMATION

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

The Group's revenue is all derived from operations in Hong Kong except revenue of HK$1,163,861,000 (2021: HK$351,000) is derived from operations in South Korea.

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

	2022 **HK$'000**	2021 HK$'000
Hong Kong	**885,413**	919,993
South Korea	**116,835**	137,519
	1,002,248	1,057,512

INFORMATION ABOUT MAJOR CUSTOMERS

For the year ended 31 December 2022, there was a customer with transactions exceeding 10% of the Group's revenue. These transactions were all related to sales of properties. Revenue from the customer contributing over 10% of the total sales of the Group is as follows:

	2022 **HK$'000**	2021 HK$'000
Customer A	**1,160,140**	N/A

For the year ended 31 December 2021, there was no customer with transactions exceeding 10% of the Group's revenue.

8. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Interest income earned on bank balances	**411**	206
Temporary rental income from properties held for sale *(note (i))*	**14,229**	17,002
Government grants from Employment Support Scheme *(note (ii))*	**1,755**	–
Waiver of an amount due to a related company	**–**	7,009
Investment income from financial assets at FVTPL	**–**	1,002
Agency fee income	**4,703**	–
Commission income	**571**	1,312
Forfeited deposits received	**7,042**	–
Recovery of bad debts	**564**	–
Others	**3,245**	2,072
	32,520	28,603

Notes:

(i) The Group recognised temporary rental income from its properties held for sale of HK$14,229,000 (2021: HK$17,002,000) under other income. The income is derived from operating leases that leasing out its properties held for sale on a temporary basis before sale which are fixed or variable lease payments based on turnover of tenants. The Group has delegated a team responsible for assessing, accepting new tenants and monitoring rental payment from those tenants.

*(ii) The government grants were obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specific period of them. The Group does not have other unfulfilled obligations relating to this program.*

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interests on:		
Borrowings	**161,667**	90,486
Advance from a director	**8,061**	3,904
Lease liabilities	**3,105**	3,068
Imputed interest on convertible bonds	**6,439**	5,969
Total borrowing costs	**179,272**	103,427
Less: amount capitalised in cost of qualifying assets	**(160,076)**	(84,011)
	19,196	19,416

Borrowing costs capitalised at rate ranging from 2.27% to 13.59% (2021: 1.35% to 12.15%) per annum during the year arose on the specific and general borrowings for the expenditure on property development.

10. PROFIT/(LOSS) BEFORE TAX

	2022 HK$'000	2021 HK$'000
Profit/(loss) before tax has been arrived at after charging/(crediting):		
Directors' emoluments	**6,388**	11,318
Other staff costs, excluding directors' emoluments:		
Salaries and other allowances	**38,621**	28,750
Retirement benefit scheme contributions	**1,387**	759
Equity-settled share-based payment expenses	**–**	4,350
Total staff costs	**46,396**	45,177
Less: capitalised in properties held for sale	**(1,144)**	(3,723)
	45,252	41,454
Auditors' remuneration		
– Annual audit	**1,916**	1,913
– Others	**280**	253
Cost of inventories recognised as an expense	**1,079,207**	10,001
Depreciation of plant and equipment	**2,587**	1,517
Depreciation of right-of-use assets	**1,847**	1,917
Direct operation expenses incurred for provision of services and properties leasing (included in cost of sales and services)	**10,000**	5,750
Exchange difference, net	**86,187**	16,553
(Reversal of impairment loss)/impairment loss recognised on trade receivables	**(229)**	451
Property agency commission (included in selling expenses)	**44,544**	714
Loss on disposal of plant and equipment	**34**	430
Loss on disposal of an investment property	**400**	65
Loss/(gain) on lease modification	**260**	(830)
Gross rental income from investment properties	**(52,937)**	(48,185)
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services)	**2,926**	3,003
	(50,011)	(45,182)

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

DIRECTORS

The emoluments of the directors of the Company including the amount paid or payable by the group entities for their services provided to the Group are as follows:

	2022 HK$'000	2021 HK$'000
Fees	588	480
Salaries, commission and other allowances	3,562	5,073
Equity-settled share-based payment expenses	–	5,191
Discretionary bonuses	2,200	505
Retirement benefit scheme contributions	38	69
Total	6,388	11,318

Directors' and executives' emoluments for the year, disclosed pursuant to application Listing Rules and Hong Kong Companies Ordinance, are as follows:

	2022						2021					
	Fees HK$'000	Salaries, commission and other allowances HK$'000	Discretionary bonuses HK$'000	Equity-settled share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000	Fees HK$'000	Salaries, commission and other allowances HK$'000	Discretionary bonuses HK$'000	Equity-settled share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
(A) Executive directors:												
Mr. Chan Man Fai Joe (chief executive)	-	2,520	1,050	-	18	3,588	–	2,520	150	2,642	18	5,330
Ms. Cheung Wai Shuen	-	972	1,050	-	18	2,040	–	936	150	604	18	1,708
Mr. Liu Hon Wai *(note (a))*	-	-	-	-	-	-	–	270	–	525	9	804
Mr. Pong Kam Keung *(note (b))*	-	-	-	-	-	-	–	1,017	150	788	15	1,970
Ms. Hui Ying Ying *(note (c))*	-	70	100	-	2	172	–	330	55	–	9	394
	-	3,562	2,200	-	38	5,800	–	5,073	505	4,559	69	10,206
(B) Non-executive director:												
Mr. Yim Kwok Man	120	-	-	-	-	120	120	–	–	158	–	278
Mr. Tsui Wing Tak (note (d))	108	-	-	-	-	108	–	–	–	–	–	–
	228	-	-	-	-	228	120	–	–	158	–	278

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

DIRECTORS (Continued)

	2022						2021					
	Fees HK$'000	Salaries, commission and other allowances HK$'000	Discretionary bonuses HK$'000	Equity-settled share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000	Fees HK$'000	Salaries, commission and other allowances HK$'000	Discretionary bonuses HK$'000	Equity-settled share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
(C) Independent non-executive directors:												
Dr. Wong Wai Kong	120	-	-	-	-	120	120	–	–	158	–	278
Mr. Lee Chung Ming Eric	120	-	-	-	-	120	120	–	–	158	–	278
Ms. Chan Wah Man Carman	120	-	-	-	-	120	120	–	–	158	–	278
	360	-	-	-	-	360	360	–	–	474	–	834
Total	588	3,562	2,200	-	38	6,388	480	5,073	505	5,191	69	11,318

Notes:

(a) *On 1 July 2021, Mr. Liu Hon Wai resigned as an executive director of the Company.*

(b) *On 2 November 2021, Mr. Pong Kam Keung resigned as an executive director of the Company.*

(c) *Ms. Hui Ying Ying was appointed and resigned as an executive director of the Company on 1 July 2021 and 7 February 2022, respectively.*

(d) *On 7 February 2022, Mr. Tsui Wing Tak was appointed as a non-executive director of the Company.*

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

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments and independent non-executive directors' emoluments shown above were for their services as director of the Company.

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

EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2021: four) are directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2021: one) individuals for the year ended 31 December 2022 are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other allowances	**1,938**	1,020
Discretionary bonuses	**3,644**	50
Retirement benefit scheme contributions	**54**	18
	5,636	1,088

The number of the highest paid individuals who are not the directors of the Company whose emoluments fell within the following bands is as follows:

	2022 **No. of** **employees**	2021 No. of employees
HK$1,000,001–HK$1,500,000	**3**	1

The emoluments paid or payable to members of senior management (excluding directors) were within the following bands:

	2022 **No. of** **employees**	2021 No. of employees
HK$500,000 or below	**3**	1
HK$500,001–HK$1,000,000	**3**	6
HK$1,000,001–HK$1,500,000	**3**	1
	9	8

12. DIVIDENDS

	2022 **HK$'000**	2021 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Final – HK Nil cents (2021: 2020 final dividend of HK Nil cents) per share	**–**	–

The board of directors of the Company does not recommend the payment of final dividend for the years ended 31 December 2022 and 2021.

13. INCOME TAX EXPENSE

	2022 **HK$'000**	2021 HK$'000
Hong Kong Profits Tax:		
– Current tax	**760**	204
– Overprovision in prior years	**(169)**	(172)
Korean Corporate Income Tax		
– Current tax	**14,551**	–
– withholding tax on dividends distribution from subsidiaries	**32,831**	–
Deferred taxation	**(6,296)**	1,513
	41,677	1,545

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 will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The 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 except two subsidiaries incorporated in South Korea and qualified as a project financing vehicle where dividends to shareholders can be deducted from the taxable income if the subsidiaries distribute more than 90% of the available profits to their shareholders. No provision on Korean Corporate Income Tax was provided as there was no estimated assessable profits in financial year ended 31 December 2021.

13. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled from the profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022	2021
	HK$'000	HK$'000
Profit/(loss) before tax	**372,784**	(36,001)
Tax at Hong Kong Profits Tax Rate of 16.5%	**61,509**	(5,940)
Tax effect of expenses not deductible for tax purpose	**15,693**	4,783
Tax effect of other temporary differences not recognised	**(69)**	(203)
Tax effect of income not taxable for tax purpose	**(4,668)**	(1,503)
Tax effect of tax losses not recognised	**4,153**	7,889
Utilisation of tax losses previously not recognised	**(5,133)**	(2,204)
Tax effect of share of results of an associate	**66**	–
Overprovision in prior years	**(169)**	(172)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**4,625**	–
Tax reductions	**(62,936)**	–
Withholding tax on dividends distribution from subsidiaries	**32,831**	–
Others	**(4,225)**	(1,105)
Income tax expense for the year	**41,677**	1,545

14. 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:

	2022 HK$'000	2021 HK$'000
Earnings/(loss)		
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share	**329,933**	(37,134)
Effect of dilutive potential ordinary shares:		
– Fair value change on redemption derivative component *(note (b))*	**24,195**	N/A
– Imputed interest on convertible bonds (net of tax) *(note (b))*	**6,439**	N/A
Profit/(loss) for the purpose of diluted earnings/(loss) per share	**360,567**	(37,134)
	'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))*	**N/A**	N/A
– Convertible bonds *(note (b))*	**836,000**	N/A
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/(loss) per share during the years ended 31 December 2022 and 2021 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 years ended 31 December 2022 and 2021.*

(b) *No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2021 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amount presented.*

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties for own use *(note 16)* HK$'000	Leasehold improvements HK$'000	Office equipment and furniture HK$'000	Total HK$'000
COST				
At 1 January 2021	7,280	272	7,565	15,117
Additions	–	–	1,571	1,571
Disposal of a subsidiary *(note 33)*	–	(272)	–	(272)
Disposals	–	–	(1,368)	(1,368)
Exchange realignment	–	–	(3)	(3)
At 31 December 2021	7,280	–	7,765	15,045
Additions	1,090	–	4,781	5,871
Disposals	–	–	(1,423)	(1,423)
Exchange realignment	–	–	(85)	(85)
At 31 December 2022	8,370	–	11,038	19,408
ACCUMULATED DEPRECIATION:				
At 1 January 2021	3,682	217	5,218	9,117
Provided for the year	1,917	7	1,510	3,434
Disposal of a subsidiary *(note 33)*	–	(224)	–	(224)
Disposals	–	–	(698)	(698)
At 31 December 2021	5,599	–	6,030	11,629
Provided for the year	1,847	–	2,587	4,434
Disposals	–	–	(1,389)	(1,389)
Exchange realignment	–	–	(11)	(11)
At 31 December 2022	7,446	–	7,217	14,663
CARRYING VALUES				
At 31 December 2022	924	–	3,821	4,745
At 31 December 2021	1,681	–	1,735	3,416

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

Leasehold properties for own use	Over the lease term
Leasehold improvements	10%–20% per annum or over the lease term
Office equipment and furniture	10%–50% per annum

16. LEASES

THE GROUP AS A LESSEE

The Group owns interests in leasehold land and buildings in Hong Kong for property development and property leasing purpose. Lump sum payments were made upfront when these leasehold land and buildings were acquired.

Apart from this, the Group leases a number of properties which generally have a lease terms of two to ten years. The lease payments are fixed and there are no renewal options, variable lease payments nor restrictions or covenants included in these lease agreements. However, extension options are included in certain property leases of the Group. Periods covered by the extension options were included in the lease terms as the Group was reasonably certain to exercise the options except a lease contract that includes an extension option which is further discussed below.

Among the above properties leases, there are three lease agreements entered by the Group with a company owned by a director of a subsidiary of the Company for the use of office premises located in South Korea. The leases have initial terms of three years and expired during the current year.

The Group also regularly entered into short-term leases for office premises and motor vehicle. The Group does not recognise right-of-use assets and lease liabilities in regard of these short-term leases. The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease terms.

(i) Right-of-use assets

	2022 **HK$'000**	2021 HK$'000
Included in "Property, plant and equipment"		
– Properties leased for own use *(note 15)*	**924**	1,681
Included in "Investment properties" at fair value:		
– Ownership interests in leasehold investment properties	**834,675**	851,074
– sub-leasing of leased properties under operating leases	**48,363**	65,766
	883,962	918,521

As at 31 December 2022 and 2021, the right-of-use assets represented properties leased for own use carried at depreciated costs and for leasing or sub-leasing purposes carried at fair value and are included in the line items as property, plant and equipment and investment properties respectively.

16. LEASES (Continued)

THE GROUP AS A LESSEE (Continued)

(ii) Lease liabilities

	2022 HK$'000	2021 HK$'000
At 1 January	**57,476**	44,779
New leases	**8,258**	31,388
COVID-19-related rent concessions from lessors	**–**	(60)
Lease modification	**(730)**	(2,817)
Lease payments	**(21,144)**	(18,882)
Interest expenses	**3,105**	3,068
At 31 December	**46,965**	57,476

The present value of future lease payments are analysed as:

	2022 HK$'000	2021 HK$'000
Current liabilities	**14,945**	17,706
Non-current liabilities	**32,020**	39,770
	46,965	57,476

(iii) Extension option

The Group has a lease contract that includes an extension option. This option is negotiated by the management to provide flexibility in managing the leased-asset and it is aligned with the Group's business needs. Set out below is the undiscounted potential future rental payments relating to period following the exercise date of extension option that is not included in the lease term:

	2022 Payable within five years HK$'000
Extension option expected no to be exercised	**1,288**

	2021 Payable within five years HK$'000
Extension option expected no to be exercised	–

16. LEASES (Continued)

THE GROUP AS A LESSEE (Continued)

(iv) Other information

	2022 **HK$'000**	2021 HK$'000
Short-term lease expenses	**51**	63
Aggregate operating lease commitment of short-term leases	**37**	60

THE GROUP AS A LESSOR

As detailed in note 17, the Group leases its investment properties consisting of commercial, residential and industrial properties and farmland in Hong Kong (2021: Hong Kong or South Korea) under operating lease arrangements.

At 31 December 2022 and 2021, the undiscounted lease payments receivable by the Group in future period under non-cancellable operating leases with its tenants are as follows:

	2022 **HK$'000**	2021 HK$'000
Within one year		
After one year but within two years	**22,998**	34,725
After two years but within three years	**3,724**	22,701
After three years but within four years	**150**	2,369
After four years but within five years	**–**	4
	26,872	59,799

17. INVESTMENT PROPERTIES

(I) RECONCILIATION OF CARRYING AMOUNT

	Leasehold properties HK$'000	Freehold properties HK$'000	Total HK$'000
At 1 January 2021	973,472	77,240	1,050,712
Additions	34,098	55,423	89,521
Disposal of a subsidiary *(note 33)*	(50,000)	–	(50,000)
Disposals	(19,065)	–	(19,065)
Effect of lease modification	(1,987)	–	(1,987)
Fair value (loss)/gain	(19,678)	11,150	(8,528)
Exchange realignment	–	(6,557)	(6,557)
At 31 December 2021 and 1 January 2022	916,840	137,256	1,054,096
Additions	8,373	15,059	23,432
Disposals	(6,800)	–	(6,800)
Effect of lease modification	(990)	–	(990)
Fair value (loss)/gain	(34,385)	44,111	9,726
Transfer to "Properties held for sales"	–	(196,426)	(196,426)
At 31 December 2022	883,038	–	883,038

17. INVESTMENT PROPERTIES (Continued)

(I) RECONCILIATION OF CARRYING AMOUNT (Continued)

The Group leases out its interests in leasehold properties including commercial, residential and industrial properties and farmland and sub-leases a number of leased commercial properties under operating leases with rentals payable monthly.

The leases run for an initial period of few months to three years. Majority of the lease contracts contain market review clauses in the event both the lessor and the lessee exercises the option to extend. The leases contain minimum annual lease payments that are fixed over the lease term. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

These investment properties are mainly located in Hong Kong.

As at 31 December 2022, the Group's investment properties with carrying amount of approximately HK$834,675,000 (2021: HK$911,230,000) have been pledged to secure borrowings granted to the Group. Details are set out in note 29.

(II) FAIR VALUE MEASUREMENT

The fair value of the Group's investment properties is a level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving the fair value. There were no transfers into or out of level 3 for both years presented.

In the opinion of the directors, reconciliation on level 3 fair value measurement between the years represents fair value changes on the investment properties and transfer of an investment property to properties held for sale during the current year.

The fair value of the Group's investment properties at the end of the reporting period have been arrived at on market value basis carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), an independent firm of professionally qualified valuers, on an open market basis, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

17. INVESTMENT PROPERTIES (Continued)

(II) FAIR VALUE MEASUREMENT (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties as at 31 December 2022 and 2021:

Investment properties	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Commercial properties	Direct comparison approach	Recent market asking price of comparables, taken into account of the discount on asking price and size between the subject properties and the comparables, ranging from HK$22,036 to HK$56,707 (2021: HK$22,036 to HK$45,301) per square feet.	The higher the asking price, the higher the fair value
Residential properties	Income capitalisation approach	Net rental income derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, range from HK$44 to HK$61 (2021: HK$44 to HK$61) which have been then capitalised to determine the market value at an appropriate capitalisation rate, range from 2.37% to 2.80% (2021: 2.44% to 2.80%).	The higher the unit monthly rent, the higher the fair value; The higher the reversionary yield, the lower the fair value
	Direct comparison approach	Recent market asking price of comparables, taken into account of the discount on asking price and size between the subject properties and the comparables, ranging from HK$17,143 to HK$23,310 (2021: HK$17,143 to HK$20,609) per square feet.	The higher the asking price, the higher the fair value
Farmland	Direct comparison approach	Recent market asking price of comparables, taken into account of the discount on asking price and size between the subject properties and the comparables, ranging from HK$534 to HK$1,110 (2021: HK$698 to HK$1,000) per square feet.	The higher the asking price, the higher the fair value
Industrial properties	Direct comparison approach	Sale rate from HK$6,612 to HK$12,715 (2021: HK$5,730 to HK$14,656) per square feet.	The higher the market unit sale rate, the higher the fair value
Commercial properties under sub-leasing arrangement	Income capitalisation approach	Net rental income derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, range from HK$8 to HK$23 (2021: HK$10 to HK$29) which have been then capitalised to determine the market value at an appropriate capitalisation rate of 3.50% (2021: 3.50%).	The higher the unit monthly rent, the higher the fair value; The higher the reversionary yield, the lower the fair value

There were no changes to the valuation techniques during the both years.

18. INVESTMENT IN AN ASSOCIATE

	2022 HK$'000	2021 HK$'000
Share of net assets	15,424	–

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Bigtriangle PFV Co. Ltd.	Ordinary shares	South Korea	51%	Property development

The associate was set up by the Group and two independent third parties during the current year and is considered a material associate of the Group engaging in property development in South Korea.

The following table illustrates the summarised financial information in respect of the associate and reconciled to the carrying amount in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Current assets	31,603	–
Current liabilities	(1,360)	–
Net assets	30,243	–
Reconciliation of the Group's investment in an associate:		
Proportion of the Group's ownership	51%	N/A
Group's share of net assets of the associate and carrying amount of the investment	15,424	–
Revenue	–	N/A
Loss for the year	(791)	N/A
Other comprehensive income	22	N/A
Total comprehensive income for the year	(769)	N/A

19. INVESTMENT IN A JOINT VENTURE

Particulars of the joint venture are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of Ownership interest and profit sharing	Voting power	Principal activity
S & Z International Limited	Ordinary shares	Hong Kong	45%	50%	Food factory, trading, online shop and food supplier business

The above investment is indirectly held by the Company. The joint venture was set up by the Group with two independent third parties during the year. According to the shareholders' agreement, decisions affecting the relevant activities require unanimous approval of all directors of the joint venture.

The following table illustrates the financial information of the Group's joint venture that is not individually material:

	2022	2021
	HK$'000	HK$'000
Share of the joint venture's loss for the year *(note)*	–	N/A
Share of the joint venture's total comprehensive income *(note)*	–	N/A
Carrying amount of the Group's investment in a joint venture	–	N/A

Note:

The amounts were less HK$100.

The Group has discontinued the recognition of its share of loss of the joint venture because the share of loss of the joint venture exceeded the Group's investment in the joint venture and the Group has no obligation to take up further loss. The amount of the Group's unrecognised share of loss of the joint venture for the current year and cumulatively is HK$243 (2021: Nil).

20. DEFERRED TAXATION

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

	Fair value gain on investment properties HK$'000	Depreciation allowance HK$'000	Total HK$'000
At 1 January 2021	(55,319)	(187)	(55,506)
Charged to profit or loss	(1,513)	–	(1,513)
Disposal of a subsidiary *(note 33)*	–	187	187
Exchange realignment	(2)	–	(2)
At 31 December 2021	(56,834)	–	(56,834)
Credited to profit or loss	6,296	–	6,296
Exchange realignment	(124)	–	(124)
At 31 December 2022	(50,662)	–	(50,662)

For the purpose of measuring deferred tax liabilities arising from investment properties that is measured using the fair value model, the directors have reviewed the Group's investment properties and determined whether the presumption to recover the carrying amount of investment properties through sale is rebutted. As at 31 December 2022, the directors determined that the presumption on one investment property was not rebutted. As a result, the Group did not recognise deferred tax on changes in fair value of the investment property as the Group is not subject to any income taxes on disposal of the investment property.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**4,029**	3,005
Deferred tax liabilities	**(54,691)**	(59,839)
	(50,662)	(56,834)

As at 31 December 2022, the Group had unutilised tax losses of HK$231,135,000 (2021: HK$259,257,000) and Nil (2021: HK$23,320,000) arising in Hong Kong and South Korea respectively and other deductible temporary differences of HK$1,683,000 (2021: HK$104,000) arising in Hong Kong, available for offset against future profits. No deferred tax asset has been recognised for such tax losses and other deductible temporary differences due to the unpredictability of future profit streams in the respective entities. Tax losses arising in Hong Kong and South Korea may be carried forward indefinitely and 15 years from the year in which the losses arose, respectively.

21. LOAN RECEIVABLES

	2022 **HK$'000**	2021 HK$'000
Loan receivables	**85,974**	73,396
Analysis as:		
– Non-current portion	**76,355**	53,048
– Current portion *(note 22)*	**9,619**	20,348
Total	**85,974**	73,396

As at 31 December 2022 and 2021, the balance included loan receivables which were secured by the property units of the borrowers. Loan receivables amounting to HK$81,904,000 (2021: HK$72,996,000) were interest bearing at various rates ranging from Hong Kong prime rate quoted by the lending bank ("**P**") minus 2.25% to P (2021: P minus 2% to P plus 2%) per annum; and an loan receivable amounting to HK$4,070,000 (2021: HK$400,000) was interest bearing at a fixed rate of 10% (2021: 12%) per annum.

Loans are provided to the borrowers above at a range of 48% to 80% (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 as at 31 December 2022 and 2021.

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

The contractual maturity dates of the Group's loan receivables are as follows:

	2022 **HK$'000**	2021 HK$'000
Loan receivables		
Within one year	**9,619**	20,348
In more than one year but not more than two years	**10,677**	7,733
In more than two years but not more than five years	**37,874**	27,521
In more than five years	**27,804**	17,794
	85,974	73,396

21. LOAN RECEIVABLES (Continued)

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

	2022	2021
Effective interest rate:		
– Loan receivables	**3% to 10.0%**	3.25% to 12.0%

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

22. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	HK$'000
Trade receivables from contracts with customers *(note (a))*	**5,661**	5,064
Lease receivables *(note (a))*	**3,532**	8,157
	9,193	13,221
Less: Allowance for credit losses	**(1,388)**	(1,617)
	7,805	11,604
Deposits and other receivables, and prepayments		
– Loan receivables *(note 21)*	**9,619**	20,348
– Loan interest receivables	**168**	151
– Rental deposits and other receivables *(note (b))*	**45,772**	22,957
– Prepayments	**4,145**	24,402
– Deposits paid *(note (c))*	**99,041**	–
	158,745	67,858
	166,550	79,462
Analysis as:		
– Non-current portion	**102,426**	–
– Current portion	**64,124**	79,462
	166,550	79,462

22. TRADE AND OTHER RECEIVABLES (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.

	2022 HK$'000	2021 HK$'000
0–30 days	2,768	4,468
31–90 days	1,812	1,792
91–180 days	1,451	1,871
181–365 days	1,163	2,486
Over 365 days	611	987
	7,805	11,604

The ageing of trade and lease receivables (net of allowance for doubtful debts) based on past due dates is as follows:

	2022 HK$'000	2021 HK$'000
Current	–	15
0–30 days past due	2,768	4,455
31–90 days past due	1,812	1,791
Over 90 days past due	3,225	5,343
	7,805	11,604

The Group recognised impairment loss on trade and lease receivables based on accounting policy stated in note 4.

The following table reconciles the impairment loss of trade and lease receivables for the year:

	2022 HK$'000	2021 HK$'000
At 1 January	1,617	1,166
(Reversal of impairment loss)/impairment loss recognised during the year	(229)	451
At 31 December	1,388	1,617

Details of impairment assessment of trade and lease receivables, rental deposits and other receivables are set out in note 37.

22. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) As at 31 December 2022, the balance included:

(i) a loan to the shareholder of the joint venture of the Group (note 19) amounting to HK$2,250,000 (2021: Nil) which was interest bearing at 5% per annum and repayable in year 2024.

(ii) other receivables with carrying amounts of HK$11,250,000 (2021: Nil) and HK$1,195,000 (2021: Nil) are interest bearing at 1% and 0.003%, respectively. The former balance is repayable within 1 year and the latter balance is repayable by monthly instalments up to November 2032.

(c) During the year, the Group paid deposits with an aggregate amount of HK$99,041,000 (2021: Nil) to numerous sellers and vendors for the acquisition of a piece of land and prepaid construction costs for a property project in South Korea. The title of the land has been obtained and transferred to the associate of the Group (note 18) subsequently in March 2023. The deposits paid were classified as non-current assets as at 31 December 2022.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2022 HK$'000	2021 HK$'000
Unlisted investment fund	(a)	**4,610**	5,354
Unlisted participation note	(b)	**1,519**	1,519
Derivative financial instrument – redemption option	(c)	**10,773**	34,968
Total		**16,902**	41,841
Classified as:			
Financial assets at FVTPL:			
– Non-current		**6,129**	6,873
– Current		**10,773**	34,968
		16,902	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 in previous years. The Group redeemed 1,000 shares of the fund and received HK$1,366,000 during the current year. The Group has recognised a fair value gain of HK$622,000 (2021: HK$765,000) in respect of the fair value changes in the profit or loss. The fair value of this unlisted fund investment is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

(b) As at 31 December 2022, the unlisted participation note is at a fair value of HK$1,519,000 (2021: HK$1,519,000). No change in fair value has been recognised in the profit or loss (2021: Nil). The fair value of this unlisted participation note is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

(c) The balance represents the redemption derivative component in relation to the convertible bonds (note 30). The Group has recognised a fair value loss of HK$24,195,000 (2021: HK$622,000) in respect of the fair value change in profit or loss.

24. INVENTORIES AND PROPERTIES HELD FOR SALE

	2022 HK$'000	2021 HK$'000
Inventories		
Finished goods – wine products	**10,808**	7,056
Properties held for sales *(note)*		
– Properties under development	**3,260,638**	3,321,759
– Completed properties	**580,956**	550,068
	3,841,594	3,871,827
Properties to be realised after one year	**1,113,654**	2,583,023

Note:

The properties under development are situated in Hong Kong (2021: Hong Kong and South Korea).

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

As at 31 December 2022, properties held for sale with aggregated amount of HK$3,841,594,000 (2021: HK$3,871,827,000) have been pledged to secure bank borrowings granted to the Group set out in note 29.

All of the above properties held for sale are to be sold within the normal operating cycle of the Group thus they are classified as current assets.

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

25. STAKEHOLDERS' ACCOUNTS/PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

The amounts comprise stakeholders' accounts which are held by independent intermediaries for collecting sales receipts on the Group's behalf or retention payments for construction projects. The amounts are interest bearing at prevailing market interest rate of 0.001% to 0.625% per annum (2021: 0.001% to 0.151% per annum).

Pledged bank deposit represents bank deposit pledged to a bank for securing banking facilities grant to the Group set out in note 29.

The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which are as follows:

	2022	2021
Range of interest rate per annum:		
Bank balances	**0.001%–0.625%**	0.001%–0.01%

Details of impairment assessment of stakeholders' accounts, pledged bank deposit and bank balances are set out in note 37.

26. TRADE AND OTHER PAYABLES

	2022 **HK$'000**	2021 HK$'000
Trade payables *(note (a))*	**2,340**	–
Retention payables *(note (b))*	**53,028**	26,435
Other payables, deposits received and accruals		
– Rental and other deposits received	**30,503**	21,287
– Accrued construction costs	**143,967**	118,247
– Accrued bonus	**1,780**	2,411
– Accrued agency commission	**3,092**	–
– Accrued management fees	**2,190**	2,808
– Accrued legal and professional fees	**5,134**	6,375
– Interest payables	**6,525**	14,590
– Receipt in advance of rental income	**16,832**	20,137
– Loans from shareholders of an associate *(note (c))*	**58,552**	–
– Others	**7,353**	6,654
	331,296	218,944

26. TRADE AND OTHER PAYABLES (Continued)

Note:

(a) *No credit terms are granted for all trade payables.*

The following is an aged analysis of trade payables presented based on invoice dates.

	2022	2021
	HK$'000	HK$'000
0-30 days	**2,305**	–
31-90 days	**3**	–
91-180 days	**5**	–
181-365 days	**–**	–
Over 365 days	**27**	–
	2,340	–

(b) *As at 31 December 2022, retention payables amounting to HK$31,443,000 (2021: HK$22,295,000) are aged within one year while the remaining amount of HK$21,585,000 (2021: HK$4,140,000) are more than one year. All retention payables as at 31 December 2022 and 2021 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.*

(c) *In connection with the shareholders' agreement entered into between a South Korean subsidiary of the Company and another two shareholders of the associate (note 18), the two shareholders agreed to make advances with an aggregate amount of HK$58,552,000 (2021: Nil) to the subsidiary as initial funding to acquire a piece of land for the development of a property project in South Korea. The advances are interest-free, unsecured and repayable when the associate obtained a project financing loan.*

27. CONTRACT LIABILITIES

	2022	2021
	HK$'000	HK$'000
Sales of properties	**12,354**	133,164
Sale of fine wine	**6,862**	4,013
	19,216	137,177

SALE OF PROPERTIES

The Group usually receives 3% to 14% of the contract value as deposits from customers when they sign the sale and purchase agreement for sale of properties. The deposits result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

27. CONTRACT LIABILITIES (Continued)

TRADING OF FINE WINE

The contract liabilities relate to advance payments received from customers in respect of the sale of wine products. These receipts in advance are recognised as contract liabilities until the control of the wine products are passed to the customers.

Movement of the Group's contract liabilities are set out as follows:

	2022 HK$'000	2021 HK$'000
Balance as at beginning of year	137,177	34,033
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(137,177)	(5,836)
Increase in contract liabilities as a result of receiving receipts in advance from the customers that the goods have not yet transferred and not yet accepted by the customers	19,216	108,980
Balance as at end of year	19,216	137,177

28. AMOUNTS DUE FROM/TO RELATED COMPANIES/A DIRECTOR/A JOINT VENTURE

The amounts due from/to related companies are interest-free, unsecured and repayable on demand. As at 31 December 2022 and 2021, a director of the Company has significant influence over the related companies. The maximum outstanding amount during the current year was HK$92,000.

The amount due to a director is unsecured and repayable on demand. HK$143,621,000 (2021: HK$117,419,000) of the balance is interest bearing at 4.5% to 5.5% (2021: 4.5% to 5.5%) per annum and the remainder is interest-free.

The amount due from a joint venture is unsecured, interest-bearing at 0.42% per month and repayable in 2024. As at 31 December 2022, the loss allowance was assessed to be minimal.

29. BORROWINGS

	2022 HK$'000	2021 HK$'000
Borrowing from financial institutions	**189,000**	541,651
Bank borrowings	**2,502,858**	2,700,335
	2,691,858	3,241,986
Analysis as:		
– Non-current portion	**–**	1,102,332
– Current portion	**2,691,858**	2,139,654
	2,691,858	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	**1,382,753**	1,159,647
– In more than one year but not more than two years	**111,016**	624,244
– In more than two years but not more than five years	**110,479**	108,693
– More than five years	**5,665**	53,647
Total	**1,609,913**	1,946,231
Scheduled payment terms of bank borrowings and borrowing from a financial institution without demand clause:		
– Within one year	**1,081,945**	193,423
– In more than one year but not more than two years	**–**	1,046,346
– In more than two years but not more than five years	**–**	55,986
Total	**1,081,945**	1,295,755

29. BORROWINGS (Continued)

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

	2022 HK$'000	2021 HK$'000
Variable-rate borrowings:		
Within one year	**2,275,698**	1,214,157
In more than one year but not more than two years	**111,016**	1,540,589
In more than two years but not more than five years	**110,479**	164,680
More than five years	**5,665**	53,647
	2,502,858	2,973,073
Fixed-rate borrowings:		
Within one year	**189,000**	138,913
In more than one year but not more than two years	**–**	130,000
	189,000	268,913
	2,691,858	3,241,986

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

	2022 HK$'000	2021 HK$'000
Effective interest rates:		
– Fixed-rate borrowings	**5.00%–7.50%**	4.20%–7.50%
– Variable-rate borrowings	**2.27%–13.59%**	1.35%–12.15%

29. BORROWINGS (Continued)

Borrowings are secured by the following assets of the Group:

	2022 HK$'000	2021 HK$'000
Properties held for sale		
– Under development for sales	**3,260,638**	3,321,759
– Completed	**580,956**	550,068
	3,841,594	3,871,827
Investment properties	**834,675**	911,230
Pledged bank deposits	**10,000**	10,403
Total	**4,686,269**	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 31 December 2022 and 2021, none of the covenants relating to drawn down facilities had been breached.

30. CONVERTIBLE BONDS

On 22 October 2020, the Company issued 3% convertible bonds with nominal value of HK$418,000,000 as part of the consideration for the Combination (as defined in note 31). The convertible bonds are perpetual in term and have no maturity date with a principal amount denominated in HK$ 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.

30. CONVERTIBLE BONDS (Continued)

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, it is the Company's present intention to defer the coupon payment, hence the liability component of the convertible bonds is 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. The fair value of various components were determined based on the valuation conducted by JLL at the issue date (i.e. 22 October 2020). At each reporting date, the fair value of the convertible bonds as a whole is determined by using the Binomial Option Pricing Model. The fair value of the liability component of the bonds is calculated using cash flows discounted at a rate based on an equivalent market interest rate for equivalent non-convertible bonds. The fair value of the redemption option is determined by the difference between the fair value of equivalent convertible bonds with redemption option and without redemption option.

The initial carrying amount of the equity component was determined by deducting the fair values of the liability and redemption option components from the fair value of the convertible bonds as a whole and was included in equity as convertible bonds – equity component.

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 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	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	34,968	(81,769)	(313,698)	(360,499)
Effective imputed interest expense recognised	–	(6,439)	–	(6,439)
Change in fair value	(24,195)	–	–	(24,195)
As at 31 December 2022	10,773	(88,208)	(313,698)	(391,133)

30. CONVERTIBLE BONDS (Continued)

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 at the end of the reporting period are as follows:

	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000
Share price	**0.385**	0.395
Conversion price	**HK$0.5**	HK$0.5
Risk-free rate	**3.67%**	1.58%
Volatility	**56.26%**	62.76%

31. SHARE CAPITAL AND RESERVES

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 31 December 2022	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 31 December 2022	641,498,000	6,415

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

Movements of the reserves of the Group and the Company are set out in the consolidated statement of changes in equity and note 41 respectively.

31. SHARE CAPITAL AND RESERVES (Continued)

Notes on reserves of the Group:

a. On 13 July 2016, Mr. Joe Chan and Mr. Lam Kin Kok, being the directors and controlling shareholders of the Company at that time, waived the balances due to them of HK$174,420,000 and HK$15,580,000, respectively. The aggregate amount of HK$190,000,000 had been capitalised as shareholders' contribution. During the year, Mr. Joe Chan waived an additional amount due to him of HK$3,911,000 resulting in an increase in the shareholders' contribution.

b. On 21 July 2020, the Company and Metropolitan Lifestyle (BVI) Limited (the "**Vendor**") entered into a sale and purchase agreement for the purchase of (i) the entire issued share capital of Metropolitan Group (BVI) Limited ("**Metropolitan**") (the "**Sale Share**"); and (ii) all obligation, liabilities and debts owing or incurred by Metropolitan and its subsidiaries (collectively "**Metropolitan Group**") to the Vendor on or at any time prior to the completion date of the acquisition (the "**Sale Loan**") at an aggregate nominal consideration of HK$460,000,000 (the "**Combination**"). The consideration was satisfied by cash of HK$42,000,000 and issuance of convertible bonds by the Company with principal amount of HK$418,000,000. The Combination is accounted for by applying principles of merger accounting in accordance with AG 5 as the Company and Metropolitan were under the common control of Mr. Joe Chan, the controlling shareholder of the Company. The difference arising from the aggregate consideration, as adjusted with fair value of the convertible bonds, given by the Company for the Sale Share and Sale loan as adjusted for the elimination of the share capital of Metropolitan, is accounted for in equity as merger reserve. Merger reserve arising from the Combination completed on 22 October 2020 was HK$150,227,000.

32. SHARE-BASED PAYMENT TRANSACTIONS

The Group adopted a share option scheme on 27 June 2016 (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to provide any directors, full-time employees of any member of the Group and other eligible participants who have contributed or will contribute to the Group (the "**Participants**") with the opportunity to acquire proprietary interests in the Company and to encourage the Participants to work towards enhancing the value of the Company and its shares for the benefit the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the Participants.

Pursuant to the Share Option Scheme, the directors of the Company may invite the Participants to take up options at a price determined by the Board of Directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made by the Company to the grantee (which date must be a business day, "Offer Date"); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

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

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed either (i) 30% of the issued share capital of the Company from time to time or (ii) 10% of the issued share capital of the Company as at the 13 July 2016 (without taking into account the shares which may be issued and allotted pursuant to the exercise of the over-allotment option and the options which may be or have been granted under the Share Option Scheme) (the "**Existing Scheme Mandate Limit**") unless shareholders' approval has been obtained. No options may be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded. The Company has obtained the shareholders' approval to refresh the Existing Scheme Mandate Limit on 26 January 2021.

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

There was no share option granted during the year. The weighted average fair value of the share options granted in the financial year ended 31 December 2021 was HK$9,541,000 (HK$0.29 each) with the same amount recognised as share option expense during the year ended 31 December 2021.

The fair value of equity-settled share options granted during the year ended 31 December 2021 was estimated at the respective dates of grant using trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the weighted average inputs to the model used:

	2021 HK$'000
Exercise price	0.42
Risk-free rate	0.625%
Volatility	72.09%
Dividend yield	–
Exercise multiple	3.11

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's number of share options granted to certain directors and employees during the year:

FOR THE YEAR ENDED 31 DECEMBER 2022

		Number of share options			
Option type	**Outstanding at 1 January**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 December**
Directors	**18,111,200**	**–**	**–**	**–**	**18,111,200**
Employees	**17,992,800**	**–**	**–**	**(5,096,400)**	**12,896,400**
	36,104,000	**–**	**–**	**(5,096,400)**	**31,007,600**

FOR THE YEAR ENDED 31 DECEMBER 2021

		Number of share options			
Option type	Outstanding at 1 January	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December
Directors	1,881,600	19,700,000	–	(3,470,400)	18,111,200
Employees	3,763,200	17,550,000	–	(3,320,400)	17,992,800
	5,644,800	37,250,000	–	(6,790,800)	36,104,000

No share options were exercised during both years.

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

	2022		2021	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
Outstanding at 1 January	**0.49**	**36,104,000**	0.98	5,644,800
Granted during the year	**–**	**-**	0.42	37,250,000
Lapsed during the year	**0.60**	**(5,096,400)**	0.50	(6,790,800)
Outstanding at 31 December	**0.47**	**31,007,600**	0.49	36,104,000
Exercisable at 31 December	**0.47**	**31,007,600**	0.49	36,104,000

For share options outstanding at the end of the reporting period, the range of exercise prices is HK$0.41 to HK$0.98 (2021: HK$0.41 to HK$0.98) and weighted average remaining contractual life is 8 years (2021: 9 years).

33. DISPOSAL OF A SUBSIDIARY

On 3 March 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest of Palico Development Limited ("**Palico**") and its loan for a consideration of HK$51,750,000. Palico was incorporated in Hong Kong and principally engaged in property investment. The disposal was completed during the year ended 31 December 2021.

The assets and liabilities of Palico at the date of disposal were:

	HK$'000
Investment properties	50,000
Plant and equipment	48
Tax recoverable	27
Other payables	(306)
Loan from fellow subsidiaries	(1,048)
Deferred tax liabilities	(187)
Net assets	48,534
Net asset value of Palico disposed of	48,534
Less:	
Loan from fellow subsidiaries	1,048
Gain on disposal of a subsidiary included in loss for year	2,168
Total consideration	51,750
Satisfied by:	
Cash	51,750
Cash inflow arising on disposal:	
Cash	51,750

34. CAPITAL COMMITMENTS

	2022 **HK$'000**	2021 HK$'000
Capital expenditure in respect of the property development projects contracted for but not provided in the consolidated financial statements	**744,283**	369,884

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Convertible bond liability component HK$'000	Borrowings HK$'000	Amount due to a director HK$'000	Interest payables HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2021	75,800	2,320,491	52,673	6,493	44,779	2,500,236
Cash inflow/(outflow):						
Borrowings raised	–	1,454,646	–	–	–	1,454,646
Repayment of borrowings	–	(518,915)	–	–	–	(518,915)
Lease payments	–	–	–	–	(18,882)	(18,882)
Increase in amount due to a director	–	–	68,854	–	–	68,854
Interest paid	–	–	(3,904)	(80,288)	–	(84,192)
Non-cash transactions:						
New leases	–	–	–	–	31,388	31,388
Interest expense	5,969	2,101	3,904	88,385	3,068	103,427
Lease modification	–	–	–	–	(2,817)	(2,817)
COVID-19-related rent concession from lessors	–	–	–	–	(60)	(60)
Exchange realignment	–	(16,337)	–	–	–	(16,337)
At 31 December 2021	81,769	3,241,986	121,527	14,590	57,476	3,517,348

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Convertible bond-liability component HK$'000	Borrowings HK$'000	Amount due to a director HK$'000	Interest payables HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2022	81,769	3,241,986	121,527	14,590	57,476	3,517,348
Cash inflow/(outflow):						
Borrowings raised	–	810,142	–	–	–	810,142
Repayment of borrowings	–	(1,355,298)	–	–	–	(1,355,298)
Lease payments	–	–	–	–	(21,144)	(21,144)
Increase in amount due to a director	–	–	26,005	–	–	26,005
Interest paid	–	–	(8,061)	(159,508)	–	(167,569)
Non-cash transactions:						
New leases	–	–	–	–	8,258	8,258
Interest expense	6,439	10,224	8,061	151,443	3,105	179,272
Lease modification	–	–	–	–	(730)	(730)
Waiver of balance	–	–	(3,911)	–	–	(3,911)
Exchange realignment	–	(15,196)	–	–	–	(15,196)
At 31 December 2022	88,208	2,691,858	143,621	6,525	46,965	2,977,177

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of net debts (which includes borrowings and convertible bonds – liability component, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising fully paid share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debt and redemption of existing debt.

36. CAPITAL RISK MANAGEMENT (Continued)

The net debts to equity ratio at the end of reporting period was as follows:

	2022 HK$'000	2021 HK$'000
Debts	**2,780,066**	3,323,755
Less: bank balances and cash	**(57,501)**	(94,040)
Net debts	**2,722,565**	3,229,715
Equity attributable to owners of the Company	**1,729,525**	1,391,955
Net debts to equity ratio	**157%**	232%

37. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at FVTPL	**16,902**	41,841
Financial assets at amortised cost	**227,978**	294,852
	244,880	336,693
Financial liabilities		
Financial liabilities at amortised cost	**3,238,160**	3,644,091
Lease liabilities	**46,965**	57,476
	3,285,125	3,701,567

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at FVTPL, loan receivables, trade and other receivables, amounts due from a joint venture and related companies, stakeholders' accounts, pledged bank deposit, bank balances, trade and other payables, amount due to a director, amounts due to related companies, borrowings and convertible bonds – liability component. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate loans from a financial institution and a bank and a loan receivable. Besides, loan receivables, pledged bank deposit, bank balances and borrowings at floating rates expose the Group to cash flow interest rate risk as at end of the reporting period. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and Hong Kong Prime Lending Rate arising from the Group's Hong Kong dollars denominated variable-rate borrowings and fluctuation of Hong Kong Prime Lending Rate arising from the Group's Hong Kong dollars denominated variable-rate loan receivables.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for loan receivables and borrowings. The analysis is prepared assuming the loan receivables and borrowings outstanding at the end of the reporting period were outstanding for the whole year. 50 (2021: 50) basis points increase or decrease represents the assessment of the management of the Group on the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- interest capitalised in properties held for sale for the year ended 31 December 2022 would be increased/decreased by HK$6,756,000 (2021: HK$6,661,000) which will then be charged to cost of sales and services in consolidated statement of profit or loss and other comprehensive income when the properties are delivered to purchasers and revenue are recognised. This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings; and

- post-tax profit (2021: loss) for the year ended 31 December 2022 would be decreased/increased (2021: increased/decreased) by HK$3,607,000 (2021: HK$4,271,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loan receivables and borrowings.

The directors of the Company consider interest rate exposure to stakeholders' accounts, pledged bank deposit and bank balances is immaterial.

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Currency risk

The Group's primary foreign exchange exposure arises from its operations in South Korea where commercial transactions, assets and liabilities are mainly denominated in United States dollars and Korean Won. 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. The Group maintains an appropriate level of external borrowings in Korean Won for natural hedging of Korean Won transactions attributed to the operations.

During the year ended 31 December 2022, the Group recorded an exchange loss of approximately HK$86,187,000 arising from profit distributions made by the subsidiaries in South Korea to the Group. The directors of the Company are of the opinion that this exchange loss on profit distributions is one-off in nature as the Group has no mature development projects in South Korea which will have profit distribution to the Group in the coming two years.

Apart from this, the directors of the Company is of the opinion that the Group has not experienced any material difficulties or liquidity in its local operation as a result of fluctuations in currency exchange rates during the reporting period. Therefore, the Group does not engage in any hedging activities.

Credit risk and impairment provision

As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except that the credit risks associated with loan receivables is mitigated because they are secured over properties. There is no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during both reporting periods.

Trade receivables from contract with customers and lease receivables

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

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

Loan receivables, loan interest receivables, other receivables, stakeholders' accounts, pledged bank deposit and bank balances

The Group performs impairment assessment under ECL model of HKFRS 9 on loan receivables, loan interest receivables, other receivables, amounts due from related companies and a joint venture, stakeholders' accounts, pledged bank deposit and bank balances based on 12m ECL.

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

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

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

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

Based on the Group's internal credit rating, no impairment loss allowance is recognised for loan receivables, loan interest receivables, other receivables, amounts due from related companies and a joint venture, stakeholders' accounts, pledged bank deposit and bank balances as the amount of ECL on these balances is immaterial.

The Group is exposed to concentration of credit risk on:

- Loan receivables which are provided to individual third parties with no history of default;
- Liquid funds which are deposited with several banks with high credit ratings; and
- The Group's concentration of credit risk by geographical locations is in Hong Kong as trade receivables, lease receivables and loan receivables are mainly arisen in Hong Kong for both years.

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

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

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

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

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2022 HK'000	Gross carrying amount 2021 HK'000
Financial assets at amortised cost						
Trade receivables from contract with customers	22	N/A	*(note)*	Lifetime ECL (provision matrix)	**5,661**	5,064
Lease receivables	22	N/A	*(note)*	Lifetime ECL (provision matrix)	**3,532**	8,157
Loan receivables	21	N/A	Low risk	12m ECL	**85,974**	73,396
Loan interest receivables	22	N/A	Low risk	12m ECL	**168**	151
Rental deposits and other receivables	22	N/A	Low risk	12m ECL	**45,772**	22,957
Amount due from a joint venture	28	N/A	Low risk	12m ECL	**2,750**	–
Amounts due from related companies	28	N/A	Low risk	12m ECL	**92**	58
Stakeholders' account	25	N/A	Low risk	12m ECL	**17,916**	82,243
Pledged bank deposit	25	AA+	N/A	12m ECL	**10,000**	10,403
Bank balances	25	AA+	N/A	12m ECL	**57,501**	94,040

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

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

Trade and lease receivables

The following tables provide information about the Group's exposure to credit risk and ECLs for trade and lease receivables as at 31 December 2022 and 2021:

31 December 2022	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.00%	–	–
0–30 days past due	2.77%	2,847	(79)
31–90 days past due	6.36%	1,935	(123)
Over 90 days past due	26.89%	4,411	(1,186)
		9,193	(1,388)

31 December 2021	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.00%	15	–
0–30 days past due	2.98%	4,592	(137)
31–90 days past due	7.20%	1,930	(139)
Over 90 days past due	20.06%	6,684	(1,341)
		13,221	(1,617)

Expected loss rates are based on actual loss experience over the year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Groups holds security deposits as collaterals over the lease receivables.

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment provision (Continued)

Trade and lease receivables (Continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its trade and lease receivables because these customers consist of a number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Trade and lease receivables are assessed based on provision matrix within lifetime ECL (not credit-impaired).

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

During the year ended 31 December 2022, a reversal of impairment loss of HK$229,000 (2021: impairment loss of HK$451,000) is recognised based on the amount of ECL on trade and lease receivables.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayable on demand clause are included in the earliest time band regardless of the probability of the counterparties choosing to exercise their rights.

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Liquidity table

	Effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2022							
Trade and other payables	–	261,436	–	–	–	261,436	261,436
Retention payables	–	53,028	–	–	–	53,028	53,028
Amount due to a director	4.50 to 5.50	143,621	–	–	–	143,621	143,621
Amounts due to related companies	–	9	–	–	–	9	9
Borrowings							
– variable rate	2.27 to 13.59	2,721,581	–	–	–	2,721,581	2,502,858
– fixed rate	5.00 to 7.50	189,000	–	–	–	189,000	189,000
Convertible bonds – liability component	7.87	–	–	–	100,389	100,389	88,208
Lease liabilities	4.58 to 9.27	17,891	12,596	18,301	6,204	54,992	46,965
		3,386,566	12,596	18,301	106,593	3,524,056	3,285,125

	Effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2021							
Trade and other payables	–	172,372	–	–	–	172,372	172,372
Retention payables	–	26,435	–	–	–	26,435	26,435
Amount due to a director	4.50 to 5.50	121,527	–	–	–	121,527	121,527
Amounts due to related companies	–	2	–	–	–	2	2
Borrowings							
– variable rate	1.35 to 12.15	1,939,475	1,117,251	57,678	–	3,114,404	2,973,073
– fixed rate	4.20 to 7.50	273,133	–	–	–	273,133	268,913
Convertible bonds – liability component	7.87	–	–	–	100,389	100,389	81,769
Lease liabilities	4.58 to 7.84	20,497	16,408	23,707	3,516	64,128	57,476
		2,553,441	1,133,659	81,385	103,905	3,872,390	3,701,567

37. FINANCIAL INSTRUMENTS (Continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Borrowings with a repayment on demand clause are included in the "repayable on demand or less than 1 year" time band in the above maturity analysis. As at 31 December 2022, the aggregate carrying amounts of these borrowings amounted to HK$1,609,913,000 (2021: HK$1,946,231,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks/financial institution will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. Aggregate principal and interest cash outflows are set out below:

	Effective interest rate %	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2022							
Borrowings							
– variable rate	2.27 to 7.50	1,191,598	116,457	112,712	6,175	1,426,942	1,420,913
– fixed rate	5.00 to 7.50	195,646	–	–	–	195,646	189,000
		1,387,244	116,457	112,712	6,175	1,622,588	1,609,913

	Effective interest rate %	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2021							
Borrowings							
– variable rate	1.35 to 3.74	1,206,433	482,975	112,532	63,086	1,865,026	1,816,231
– fixed rate	7.50	9,750	135,102	–	–	144,852	130,000
		1,216,183	618,077	112,532	63,086	2,009,878	1,946,231

37. FINANCIAL INSTRUMENTS (Continued)

C. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period.

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

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2022				
Financial assets at FVTPL:				
– Unlisted investment funds	**–**	**–**	**4,610**	**4,610**
– Unlisted participate note	**–**	**–**	**1,519**	**1,519**
– Derivative financial instruments				
– redemption option	**–**	**–**	**10,773**	**10,773**
	–	**–**	**16,902**	**16,902**
At 31 December 2021				
Financial assets at FVTPL:				
– Unlisted investment funds	–	–	5,354	5,354
– Unlisted participate note	–	–	1,519	1,519
– Derivative financial instruments				
– redemption option	–	–	34,968	34,968
	–	–	41,841	41,841

During the year, there were no transfers between Level 1 and Level 2, nor transfers into and out of Level 3.

37. FINANCIAL INSTRUMENTS (Continued)

C. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (level 3) is as follows:

	2022 HK$'000	2021 HK$'000
Unlisted investment funds		
At 1 January	**5,354**	4,589
Redemption of capital	**(1,366)**	–
Unrealised fair value gain	**622**	765
At 31 December	**4,610**	5,354

	2022 HK$'000	2021 HK$'000
Unlisted participate note		
At 1 January and 31 December	**1,519**	1,519

	2022 HK$'000	2021 HK$'000
Derivative financial instruments – redemption option		
At 1 January	**34,968**	35,590
Unrealised fair value loss	**(24,195)**	(622)
At 31 December	**10,773**	34,968

The valuation techniques as at 31 December 2022 and 2021 are as follows:

Information about level 3 fair value measurements

The fair value of the redemption option is measured based on assumptions set out in note 30.

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

There were no changes in valuation techniques during both years.

38. RETIREMENT BENEFIT PLANS

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The total expense of HK$1,425,000 (2021: HK$828,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans during the year ended 31 December 2022.

39. RELATED PARTY DISCLOSURES

(I) TRANSACTIONS

Save as disclosed in note 28, the Group had the following transactions with related parties during the year:

Name of related parties	Nature of transactions	2022 HK$'000	2021 HK$'000
Mr. Joe Chan (director)	Interest expense *(note (b))*	**8,061**	3,904
	Rental income *(note (g))*	**(37)**	–
	Wine trading income *(note (i))*	**(3)**	(18)
Vogue City Limited ("**Vogue City**")	Expenses related to short-term leases for motor vehicle *(note (d))*	**45**	60
Vogue Town Limited ("**Vogue Town**")	Service fee income *(note (h))*	**(48)**	–
	Wine trading income *(note (i))*	**(303)**	–
M Beauty (H.K.) Limited ("**M Beauty**")	Service income *(note (h))*	**(60)**	(240)
	Cleaning expenses *(note (e))*	**–**	35
	Entertainment expenses *(note (f))*	**–**	163
	Offices supplies *(note (e))*	**65**	15
Rabbit & Turtle Company Limited ("**Rabbit**")	Rental payments *(note (a))*	**143**	591
	Consultancy fee *(note (j))*	**1,179**	2,184
Galaxy Asset Management (H.K.) Limited ("**Galaxy Asset**")	Rental income *(note (g))*	**(116)**	(50)
	Service fee income *(note (h))*	**(96)**	(120)
AE Majoris CPA Limited ("**AE**")	Tax related service fee *(note (c))*	**60**	–

39. RELATED PARTY DISCLOSURES (Continued)

(I) TRANSACTIONS (Continued)

Notes:

(a) *The rental payments charged were based on office areas occupied by the Group and at a rent agreed by both parties.*

(b) *The loan from a director carried interest at 4.5% to 5.5% (2021: 4.5% to 5.5%) per annum.*

(c) *The tax related service fee charged by AE was determined based on a price agreed by both parties. AE was controlled by Mr. Tsui Wing Tak, a non-executive director of the Company.*

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

(e) *Expenses related to cleaning and office supplies payable to M beauty were determined based on a price agreed between both parties.*

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

(g) *Rental income is received from Galaxy Asset and Mr. Joe Chan at a price agreed by both parties.*

(h) *Service income is received from Galaxy Asset, Vogue Town and M Beauty at a price agreed by both parties.*

(i) *Wine trading income is received from Vogue Town and Vogue Town at a price agreed by both parties.*

(j) *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 except AE as described in note (c) above.

(II) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The directors of the Company are identified as key management members of the Group, and their compensations during the years ended 31 December 2022 and 2021 are set out in note 11.

40. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Details of the Company's major subsidiaries as at 31 December 2022 and 2021 are disclosed as follows:

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Directly held/ indirectly held by the Company	Principal activities
			2022	2021	2022	2021		
Star Properties Group (BVI) Limited	British Virgin Islands ("**BVI**")	Ordinary shares US$100	100%	100%	100%	100%	Directly	Investment holding
Bright Port Holdings Limited	Hong Kong	Ordinary share HK$1	–	100%	–	100%	Indirectly	Deregistered
Fountain Inc Limited	Hong Kong	Ordinary share HK$10,000	100%	100%	100%	100%	Indirectly	Property investment
Spring Moon Investments Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development and property investment
Star Property Management (HK) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Provision of property management services
Star Security Services Company Limited	Hong Kong	Ordinary shares HK$100,000	100%	100%	100%	100%	Indirectly	Provision of security Services
Star Finance (H.K.) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Provision of finance
Sincere Gold Properties Limited	Hong Kong	Ordinary shares HK$200,000	100%	100%	100%	100%	Indirectly	Property development
Diamond Ocean Investments Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Noble Energy Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development
Autumn Creek (H.K.) Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property development

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

Details of the Company's major subsidiaries as at 31 December 2022 and 2021 are disclosed as follows: (Continued)

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Directly held/ indirectly held by the Company	Principal activities
			2022	2021	**2022**	2021		
Star Construction (H.K.) Limited	Hong Kong	Ordinary share HK$7,000,000	**100%**	100%	**100%**	100%	Indirectly	Provision of construction and fitting-out works
Star Properties Korea PFV	South Korea	Ordinary shares Korean won 5 billion	**–**	95%	**–**	95%	Indirectly	Deregistered
Star Properties Korea PFV2	South Korea	Ordinary shares Korean won 5 billion	**–**	95%	**–**	95%	Indirectly	Deregistered
G Galaxy Capital Company Limited (Formerly known as Metropolitan Group (BVI) Limited)	BVI	Ordinary share US$1	**100%**	100%	**100%**	100%	Directly	Investment holding
Crystal Cay Assets Ltd.	BVI	Ordinary shares US$2	**100%**	100%	**100%**	100%	Directly	Investment holding
Creative Sky Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Property holding
Far Orient International Limited	BVI	Ordinary share US$1	**100%**	100%	**100%**	100%	Indirectly	Property holding
Golden Green Corporation Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Property holding
Grand Silver (Hong Kong) Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Property holding
Manhattan Corporation Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Property investment
Numeric City Limited	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Indirectly	Property investment

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

Details of the Company's major subsidiaries as at 31 December 2022 and 2021 are disclosed as follows: (Continued)

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Directly held/ indirectly held by the Company	Principal activities
			2022	2021	2022	2021		
Rainbow Value Investments Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property holding
Sunny Generation Limited	Hong Kong	Ordinary shares HK$2	100%	100%	100%	100%	Indirectly	Property holding, provision of consultancy, project financing and management services
Wise City Holdings Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Property investment
Golden Abacus Global Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	Investment holding
Well Sure Corporation Limited	Hong Kong	Ordinary share HK$1	100%	100%	100%	100%	Indirectly	In the process of deregistered
Advalue Group Limited	Hong Kong	Ordinary shares HK$2	100%	100%	100%	100%	Indirectly	Property investment
Eternal Great Development Limited	Hong Kong	Ordinary shares HK$9,000	100%	100%	100%	100%	Indirectly	Property investment
Mark Wealthy Limited	Hong Kong	Ordinary shares HK$10,000	100%	100%	100%	100%	Indirectly	Property Investment
Seongsu Vision Co. Limited	South Korea	Ordinary shares Korean won 510 million	100%	100%	100%	100%	Indirectly	Property development
Metropolitan Lifestyle Holdings (BVI) Limited	BVI	Ordinary share US$1	100%	100%	100%	100%	Directly	Investment holding

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

Details of the Company's major subsidiaries as at 31 December 2022 and 2021 are disclosed as follows: (Continued)

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Directly held/ indirectly held by the Company	Principal activities
			2022	2021	2022	2021		
Metropolitan Fine Wine Limited	Hong Kong	Ordinary shares HK$10,000	80.75%	80.75%	80.75%	80.75%	Indirectly	Wine Trading
Metropolitan Production Limited	Hong Kong	Ordinary shares HK$100	75%	75%	75%	75%	Indirectly	Website design and I.T. Solutions services
Metropolitan Apartment Limited	Hong Kong	Ordinary shares HK$100	85%	85%	85%	85%	Indirectly	Operation of serviced apartments
Metropolitan Workshop Limited	Hong Kong	Ordinary shares HK$100	85%	85%	85%	85%	Indirectly	Provision of virtual office and workshops
Metropolitan Wine Cellar Limited	Hong Kong	Ordinary shares HK$10,000	80.75%	80.75%	80.75%	80.75%	Indirectly	Wine storage services
Noble Empire Investments Limited	Hong Kong	Ordinary share HK$1	80.75%	80.75%	80.75%	80.75%	Indirectly	Investment holding
Metropolitan Storage Limited	Hong Kong	Ordinary shares HK$100	78%	78%	78%	78%	Indirectly	Operation of storage
LCKI Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Metro Luck Development Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service

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

Details of the Company's major subsidiaries as at 31 December 2022 and 2021 are disclosed as follows: (Continued)

Name of subsidiary	Place or incorporation/ operation	Paid up capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Directly held/ indirectly held by the Company	Principal activities
			2022	2021	2022	2021		
NT Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
NTII Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Rainbow Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Charm Luck (Hong Kong) Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Cheer Luck International Industrial Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
CW Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Faithful Luck (H.K.) Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service
Kowloon Luck Limited	Hong Kong	Ordinary share HK$1	78%	78%	78%	78%	Indirectly	Head tenant service

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investments in subsidiaries	**646,237**	624,609
Amounts due from subsidiaries *(notes (i) & (iii))*	**936,719**	1,297,790
	1,582,956	1,922,399
Current assets		
Financial assets at FVTPL	**10,773**	34,968
Other receivables *(note (iii))*	**368**	174
Amounts due from subsidiaries *(notes (ii) & (iii))*	**883,081**	210,463
Bank balances and cash *(note (iii))*	**2,102**	1,207
	896,324	246,812
Current liabilities		
Other payables	**15,114**	262
Amounts due to subsidiaries	**483,490**	58,596
Amount due to a director	**143,519**	117,419
Borrowings	**305,520**	474,000
	947,643	650,277
Net current liabilities	**(51,319)**	(403,465)
Total assets less current liabilities	**1,531,637**	1,518,934
Non-current liabilities		
Convertible bonds – liability component	**88,208**	81,769
	1,443,429	1,437,165
Capital and reserves		
Share capital	**6,415**	6,415
Reserves	**1,437,014**	1,430,750
Total equity	**1,443,429**	1,437,165

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

Notes:

(i) *The amounts due from subsidiaries classified under non-current assets are unsecured, interest-free and repayable on demand. In the opinion of the directors, based on their assessment as at the end of the reporting period of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries will not be repaid within one year from the end of the reporting period. Accordingly, these amounts are classified as non-current. The amounts due from subsidiaries are discounted at effective interest rate of 3.26% (2021: 2.56%) per annum, representing the borrowing rates of the relevant subsidiaries, with corresponding adjustments of HK$17,827,000 (2021: HK$36,558,000) debited to investments in subsidiaries as deemed contribution to those subsidiaries.*

(ii) *The amounts due from subsidiaries classified under current assets are unsecured, interest-free and repayable on demand. The directors expect these amounts will be repaid within twelve months from the end of the reporting period, accordingly, these amounts are classified as current assets.*

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

MOVEMENT IN THE COMPANY'S RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Shareholders' contribution HK$'000	Convertible bonds – equity components HK$'000 *(note 30)*	Retained earnings HK$'000	Total HK$'000
At 1 January 2021	233,457	2,865	190,000	313,698	665,938	1,405,958
Profit and total comprehensive income for the year	–	–	–	–	15,251	15,251
Recognition of equity-settled share-based payment *(note 32)*	–	9,541	–	–	–	9,541
Lapse of share options *(note 32)*	–	(1,980)	–	–	1,980	–
At 31 December 2021	233,457	10,426	190,000	313,698	683,169	1,430,750
Profit and total comprehensive income for the year	–	–	–	–	2,353	2,353
Waiver of loan from a director	–	–	3,911	–	–	3,911
Lapse of share options *(note 32)*	–	(1,720)	–	–	1,720	–
At 31 December 2022	233,457	8,706	193,911	313,698	687,242	1,437,014

PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2022

Name of Property	Location	Approximate gross floor area before redevelopment (sq.ft.)	Final/ expected approximate gross floor area upon completion (sq.ft.)	Use	Stage of completion	Expected completion date	Attributable interest of the Group
The Rainbow	No. 22, Wang Yip Street South, Yuen Long, New Territories, Hong Kong	93,100	93,100	Commercial	Completed	N/A	100%
Yuen Long	No. 21, Wang Yip Street West, Yuen Long, New Territories, Hong Kong	51,772	171,146	Residential	Under Development	2023	100%
Kwun Tong	Nos. 107–109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	82,434	181,440	Commercial	Under Development	2024	100%
The Cloud	Nos. 107–111 Tung Chau Street, Tai Kok Tsui, Kowloon, Hong Kong	43,428	59,904	Industrial	Completed	N/A	100%
Shing Yip Street	11/F, TG Place, Nos. 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	14,410	14,410	Commercial	Under Development	2023	100%

INVESTMENT PROPERTIES AS AT 31 DECEMBER 2022

Name of Property	Address & Location	Existing Use	Condition/nature	Attributable interest of the Group
Sea View Estate — 1 unit	12/F, Block B, Sea View Estate, No. 2 Watson Road, North Point, Hong Kong	Industrial	Currently used by Metropolitan Wine Cellar to operate wine cellar business	100%
Sea View Estate — 1 unit	9/F, Block B, Sea View Estate, No. 2 Watson Road, North Point, Hong Kong	Industrial	Currently used by Metropolitan Workshop to operate co-working space business	100%
World Trust Tower	3/F, World Trust Tower, No.50 Stanley Street	Commercial	Currently used by Metropolitan Workshop to operate co-working space business	100%
Tesbury Centre	17/F, Tesbury Centre	Commercial	Currently used by Metropolitan Workshop to operate co-working space business	100%
The Galaxy	Signage and 3/F, the Galaxy	Industrial	Partly used by Metropolitan Workshop to operate co-working space business Partly leased to an independent third party	100%
Silver Fortune	20/F, Silver Fortune	Commercial	Currently used by Metropolitan Workshop to operate co-working space business	100%
Admiralty Centre — 3 units	6/F, Admiralty Centre	Commercial	Currently used by Metropolitan Workshop to operate co-working space business	100%
Yiu Wa Street	3/F., No. 14 Yiu Wa Street 1/F–5/F & the Roof, No. 16 Yiu Wa Street 1/F–5/F & the Roof, No.18 Yiu Wa Street	Residential	Currently used by Metropolitan Apartment to operate apartment business	100%

Name of Property	Address & Location	Existing Use	Condition/nature	Attributable interest of the Group
Yiu Wa Street	G/F, No. 18 Yiu Wa Street	Shop	Currently leased to an independent third party	100%
Yuen Long Farmland	Lot 807 and Section A & B of 810D, D.D.103 Yuen Long Farmland	Farmland	Currently leased to an independent third party	100%

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

CONSOLIDATED RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**1,699,304**	78,436	105,782	174,440	671,667
PROFIT/(LOSS) BEFORE TAX	**372,784**	(36,001)	309,792	32,789	241,576
Income tax expense	**(41,677)**	(1,545)	(7,003)	(10,755)	(49,749)
PROFIT/(LOSS) FOR THE YEAR	**331,107**	(37,546)	302,789	22,034	191,827
Attributable to:					
Owners of the Company	**329,933**	(37,134)	306,936	23,662	191,811

CONSOLIDATED ASSETS AND LIABILITIES

	31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**5,108,108**	5,301,104	4,133,608	4,605,131	3,323,290
TOTAL LIABILITIES	**(3,390,778)**	(3,918,848)	(2,719,928)	(3,653,275)	(2,530,677)
NET ASSETS	**1,717,330**	1,382,256	1,413,680	951,856	792,613