



STAR GROUP COMPANY LIMITED

星星集團有限公司

(Carrying on business in Hong Kong as SGCL)

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1560

INTERIM REPORT  
2023



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# CORPORATE INFORMATION

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 603, 6/F, Tower 1, Admiralty Centre  
18 Harcourt Road, Admiralty, Hong Kong

## COMPANY WEBSITE

[www.stargroup.net](http://www.stargroup.net)

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

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

### NON-EXECUTIVE DIRECTORS

Mr. Tsui Wing Tak (徐穎德)  
Mr. Yim Kwok Man (嚴國文)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## COMPANY SECRETARY

Ms. Cheung Wai Shuen (FCG HKFCG)

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## RISK CONTROL COMMITTEE

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

## EXECUTIVE COMMITTEE

Mr. Chan Man Fai Joe (*Chairman*)  
Ms. Cheung Wai Shuen

## **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



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

The revenue of the Group for the six months ended 30 June 2023 was approximately HK\$160.3 million, mainly including revenue from sales of completed projects, property investment and wine business of approximately HK\$118.6 million, HK\$21.8 million and HK\$8.9 million, respectively, (for the six months ended 30 June 2022: approximately HK\$189.0 million, mainly including revenue from sales of completed projects, property investment and wine business of approximately HK\$149.9 million, HK\$24.1 million and HK\$6.0 million, respectively), which represented a decrease of approximately HK\$28.7 million as compared with the corresponding period of last year. The decrease in revenue was contributed by the decrease in sales of completed projects which were under the property development segment of the Group from approximately HK\$149.9 million for the six months ended 30 June 2022 to approximately HK\$118.6 million for the six months ended 30 June 2023. The loss attributable to owners of the Company for the six months ended 30 June 2023 was approximately HK\$29.7 million (for the six months ended 30 June 2022: profit of approximately HK\$61.4 million). The turnaround from profit to loss for the six months ended 30 June 2023 was mainly due to the decrease in revenues generated from the sales of completed projects and the absence of gain on change in fair value of investment properties from recognised upon the transfer of properties from investment properties to properties held for sale during the current period (for the six months ended 30 June 2022: gain of change in fair value of investment properties of approximately HK\$50.9 million). The basic loss per share for the period was approximately HK4.64 cents as compared to earnings per share of approximately HK9.58 cents for the corresponding period of last year. The review of the individual business segments of the Group is set out below.

## PROPERTY DEVELOPMENT

Revenue recognised in this business segment for the six months ended 30 June 2023 was approximately HK\$118.6 million (for the six months ended 30 June 2022: HK\$149.9 million). As at 30 June 2023, the Group had seven completed projects, namely, The Galaxy; The Star; The Rainbow; The Cloud; Corner 19; Corner 25 and Corner 50; and three major projects under development (either held by the Group or through an associate of the Group), namely, After The Rain; Kwun Tong Site Project; and Big Triangle Project. A general summary and update of current property development projects of the Group during the reporting period and as at 30 June 2023 are listed below:

Hong Kong Projects:

- (a) The Rainbow: During the six months ended 30 June 2023, the sales of completed units and the temporary rental income from properties held for sale recognised was amounted to approximately HK\$7.5 million and HK\$6.3 million, respectively (for the six months ended 30 June 2022: revenue from completion and delivery of the unit and the temporary rental income from properties held for sale recognised was amounted to approximately HK\$52.9 million and HK\$7.0 million respectively).



- (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 has completed in the second quarter of 2022, while the occupation permit was granted in the first quarter of 2022. The completion and revenue recognition has been taken place in the second quarter of 2022. During the six months ended 30 June 2023, revenue of approximately HK\$111.2 million was recognised from completion and delivery of 40 property units (for the six months ended 30 June 2022: HK\$97.1 million from 46 units).
- (c) **After The Rain Project:** The Group intends to redevelop it into a residential complex with some shops on ground floor. This project is positioned as a luxury and stylish condominium residential complex targeting at young residents pursuing high quality and design driven lifestyle. The Group has obtained town planning approval around the middle of 2019 and building plan approval in February 2020. The land premium in relation to the lease modification was paid in 2021. The superstructure work was completed in the first quarter of 2023, and occupation permit was granted in April 2023. In the meantime, pre-sale permit is granted at the end of February 2023 and the pre-sale has started in March 2023. Up to 30 June 2023, the Group has entered into preliminary sale and purchase agreements for 161 residential units of which 28 units has been fully settled. Construction process is expected to be completed in the third quarter 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. Major redevelop work is intended to start in the first half of 2024. Upon the completion of the property redevelopment work, the Group intends to sell the property to generate revenue.

### 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 was completed in second quarter of 2023 and construction work is expected to complete in first quarter of 2026.

### PROPERTY INVESTMENT

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

Revenue recognised in this business segment for the six months ended 30 June 2023 amounted to approximately HK\$21.8 million (for the six months ended 30 June 2022: approximately HK\$24.1 million), representing a decrease of approximately HK\$2.3 million over the corresponding period of last year. Below are the breakdown of revenue on the property investment business under serviced apartment, storage and workshop:

#### METROPOLITAN APARTMENT

Metropolitan Apartment is principally engaged in the business of operation of serviced apartments in Hong Kong which provided fully furnished suites with flexible monthly renewal terms. The target customers of Metropolitan Apartment are short-term overseas employees, local residents and college students. Revenue recognised in this business for the six months ended 30 June 2023 amounted to approximately HK\$1.7 million (for the six months ended 30 June 2022: approximately HK\$1.3 million), which represented a slightly 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 six months ended 30 June 2023 amounted to approximately HK\$19.5 million (for the six months ended 30 June 2022: approximately HK\$22.0 million), which represented a decrease of approximately HK\$2.5 million compared with the corresponding period of last year.

As at 30 June 2023, the total carrying value of the Group’s portfolio of investment properties was amounted to approximately HK\$883.0 million (31 December 2022: approximately HK\$883.0 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong of HK\$834.7 million (31 December 2022: located in Hong Kong and South Korea of approximately HK\$834.7 million), and right-of-use assets (“**ROU**”) that meet the definition of investment properties of HK\$48.3 million (31 December 2022: HK\$48.3 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 2022: HK\$838.0 million), which comprised floors and units in industrial and commercial buildings and farmland located in Hong Kong of HK\$800.7 million (31 December 2022: HK\$800.7 million); and ROU that meet the definition of investment properties of HK\$37.3 million (31 December 2022: HK\$37.3 million). The remaining investment properties were categorized under Wine Business segment.

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

### PROVISION OF PROPERTY MANAGEMENT SERVICES

The Group is providing the property management services for our four completed projects — The Galaxy, The Star, The Rainbow, The Cloud; two commercial buildings at Sheng Wan and a residential building located at Happy Valley. Revenue recognised in this business segment for the six months ended 30 June 2023 amounted to approximately HK\$5.9 million (for the six months ended 30 June 2022: approximately HK\$5.2 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 corporation clients for its own development commercial and industrial projects. Revenue generated from this business segment for the six months ended 30 June 2023 amounted to approximately HK\$2.0 million (for the six months ended 30 June 2022: HK\$1.5 million), representing an increase of approximately HK\$0.5 million due to increase in number of loans to the purchasers of the Group's property units. 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 six months ended 30 June 2023 amounted to approximately HK\$3.2 million (for the six months ended 30 June 2022: HK\$2.0 million). The Group expects this business segment will have synergy with other business segments by enhancing the quality of work and lowering the construction or renovation costs.

### WINE BUSINESS

The Group has engaged in the sales of fine wine to Hong Kong local residents with delivery services through Metropolitan Fine Wine and leasing of professional fine wine storage through Metropolitan Wine Cellar. Revenue recognised in this business segment for the six months ended 30 June 2023 amounted to approximately HK\$8.9 million (for the six months ended 30 June 2022: approximately HK\$6.0 million), which represented an increase of approximately HK\$2.9 million compared with the corresponding period of last year. During the first half of 2023, the fourth wine cellar was launched.

The total carrying value of the Group's portfolio of investment properties categorized under Wine Business segment was amounted to approximately HK\$45.0 million (31 December 2022: HK\$45.0 million), which comprised a unit in an industrial building located Hong Kong of HK\$34.0 million (31 December 2022: HK\$34.0 million); and ROU that meet the definition of investment properties of HK\$11.0 million (31 December 2022: HK\$11.0 million).



### PROVISION OF MEDIA PRODUCTION SERVICES

The Group operates this business segment through Metropolitan Production by consultancy services including provision of film or advertisement; organization of media events, music concerts and artist management. No revenue was generated from this business segment for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately HK\$0.4 million).

### FUND INVESTMENT AND MANAGEMENT

The total carrying value of the Group's funds investment amounted to approximately HK\$4.8 million (31 December 2022: approximately HK\$6.1 million). In order to broaden the sources of finance and expand the market share of property development business, the Group plans to set up and manage a real estate fund for raising more funding in the future.

### CAPITAL STRUCTURE

There were no movements in the Company's share capital during the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

### LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2023 was approximately HK\$1,688.3 million (31 December 2022: approximately HK\$1,717.3 million). As at 30 June 2023, the Group maintained bank balances and cash of approximately HK\$109.0 million (31 December 2022: approximately HK\$57.5 million). The Group's net current assets was approximately HK\$835.2 million (31 December 2022: HK\$797.4 million). The Group had current assets of approximately HK\$4,314.1 million (31 December 2022: approximately HK\$4,013.2 million). The increase of current assets was mainly due to increase in deposit received from sales of completed project — After The Rain kept at stakeholder's accounts. The Group had current liabilities of approximately HK\$3,478.9 million (31 December 2022: approximately HK\$3,215.9 million). The increase of current liabilities was mainly due to increase in pre-sale contract liabilities of After The Rain. The information of the Group's borrowings is disclosed hereafter under note 16 to the interim condensed consolidated financial statements.

The Group generally finances its operations with internally generated cashflow, convertible bonds and borrowings from banks and financial institutions. As at 30 June 2023, the Group had convertible bonds with liability portion of approximately HK\$91.0 million (31 December 2022: approximately HK\$88.2 million); and outstanding borrowings of approximately HK\$2,863.7 million (31 December 2022: approximately HK\$2,691.9 million). The borrowings as at 30 June 2023 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) increase from approximately 156.7% as at 31 December 2022 to approximately 169.6% as at 30 June 2023 and increase from approximately 153.4% as at 31 December 2022 to approximately 163.2% as at 30 June 2023 respectively. The increase of both ratios was primarily due to the increase of bank borrowings and the loss attributable to owners of the Company recorded during the six months ended 30 June 2023.

The Group's debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) was approximately 51.6% as at 31 December 2022 and 30 June 2023.

The Group's capital commitment as at 30 June 2023 amounted to approximately HK\$93.1 million (31 December 2022: approximately HK\$744.3 million). The decrease of capital commitment was mainly due to payment of the construction cost of the development projects towards the completion of projects and transfer of a piece of land, which consideration had not been fully paid as at 31 December 2022, to an associate of the Group during the period.

The Group has no significant contingent liabilities as at 30 June 2023. The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

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

### CONVERTIBLE BONDS

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

There was no redemption or conversion of the convertible bonds during the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

### FOREIGN EXCHANGE

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, offshore borrowings were approximately Korean Won 0.1 billion, which is approximately HK\$0.9 million (31 December 2022: approximately Korean Won 0.2 billion, which is approximately HK\$1.00 million), as working capital loan for the operations in South Korea. The offshore borrowings are expected to be repaid in this year. The interest rates of these bank borrowings was 5.1% per annum as at 30 June 2023 (31 December 2022: 5.1% per annum).

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

### PLEDGE OF ASSETS

As at 30 June 2023, the Group's investment properties and properties held for sale, as well as pledged banks deposits with carrying value of approximately HK\$834.7 million and HK\$3,946.9 million as well as HK\$10.0 million respectively (31 December 2022: approximately HK\$834.7 million and HK\$3,841.6 million, as well as HK\$10.0 million respectively) were pledged to secure the Group's credit facilities.

### COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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

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. There were no further investments during the six months ended 30 June 2023.

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 30 June 2023.



## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed 142 employees (31 December 2022: 122 employees) and appointed 7 Directors (31 December 2022: 7 Directors). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to individual performance, working experience, qualification and the current relevant industry practices. Apart from base salary and statutory provident fund scheme, discretionary bonus and share options may be granted to selected staff by reference to the Group's as well as the individual's performances. Other forms of benefits such as education subsidy, medical scheme, on-the-job and external training to staff are also provided. The Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Group maintains a good relationship with its employees.

## POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its businesses, financial condition, operations and prospects, and considered that the major risks and uncertainties that may affect the Group included (i) market risk which refers to the economic and financial conditions that has direct impact on to the property market and purchasing power. Other retails business providers including provision of serviced apartments, workshops, storage and wine cellars may also be highly affected by the market sentiment when the economic outlook of Hong Kong was not positive; (ii) business risk like supply and price level of bank borrowings may have significant impact to the cost of our development project; (iii) industry risk which mainly refers to the continuous increase of construction costs; (iv) regulatory risk such as the changes of regulations may affect the completion time of our property development projects or the market sentiment, for example, property cooling measures imposed by the Government from time to time; (v) suppliers risk such as outsource of construction works to independent third parties while they may fail to provide satisfactory services adhering to our quality and safety standards as well as within the timeline required by the Group; (vi) other business risk like the revenue cycle is strongly depends on the sales of properties which may lead to significant fluctuation of profitability in different periods; (vii) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (viii) credit risk from provision of finance which may incur bad debts during the downturn of economy; (ix) bank borrowing and interest rate risk which may limit or otherwise materially and adversely affect our business, results of operations and financial conditions; and (x) the operational expenses may also be affected by the economic situations.

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



### PROSPECT

In the current global economic climate, the Hong Kong economy continues to face significant challenges. With both inflation and interest rates projected to remain high for the foreseeable future, consumer and business sentiment are under pressure. The first half of 2023 saw Mainland China's economy expands by 5.5% year-on-year, a figure reflecting the combined effects of COVID-induced disruptions and subdued external demand.

Despite such challenges, there are emerging indications of stability within the Hong Kong property market, driven by the reopening of borders between China and Hong Kong in February as well as removal of all the mandatory mask-wearing requirements in March of this year. However, the initial surge in demand due to pent-up needs has been counterbalanced by the recent uptick in interest rates. This dynamic has led to a cautious approach from buyers and resulted in moderate market volumes. Despite this, Hong Kong's strategic role as a key financial hub and gateway to China offers a robust foundation for the sustained value of local properties. The implementation of the latest Top Talent Pass Scheme is also positively contributing to the residential rental market by attracting high-caliber individuals to settle in Hong Kong.

Up to the date of this report, our group has successfully entered into preliminary sales and purchase agreements for 169 residential units of the "After The Rain" project out of a total of 332 units. We are on track to reach a significant project milestone by obtaining the Certificate of Compliance soon. Given the project's strategic location in Yuen Long, stylish and spacious design, we are confident that the remaining units will be sold promptly and at decent prices, even in the current somewhat sluggish market conditions.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil). No final dividend was declared for the year ended 31 December 2022 (31 December 2021: Nil).

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

As at 30 June 2023, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time (the “SFO”)) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange were as follows:



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### (A) LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES AS AT 30 JUNE 2023:

Name of Directors/ chief executive	Number of Shares held (Beneficial owner/through a controlled corporation)	Interests in share options (Note 2)	Other derivative interests in listed corporation	Total	Approximately percentage of shareholding in the Company (Note 4)
Mr. Chan Man Fai Joe	440,710,800 (Note 1)	10,000,000	836,000,000 (Note 3)	1,286,710,800	200.58%
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 the interested in 836,000,000 shares by virtue of the convertible bonds issued by the Company on 22 October 2020. Metropolitan Lifestyle (BVI) Limited is indirectly held as to 100% by Mr. Chan Man Fai Joe. By virtue of the SFO, Mr. Chan Man Fai Joe is deemed to be interested in the shares in which Metropolitan Lifestyle (BVI) Limited is interested.*
4. *These percentages were compiled based on the total number of issued shares (i.e. 641,498,000 shares) at 30 June 2023.*



**(B) LONG POSITIONS IN THE DEBENTURES AS AT 30 JUNE 2023:**

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

Note:

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

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO); or were required to be recorded in the register of the Company pursuant to Section 352 of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.





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

As at 30 June 2023, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

### Long Positions in the Shares and underlying Shares

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

- 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.
- 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.
- 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.
- These percentages were compiled based on the total number of issued shares (i.e. 641,498,000 shares) as at 30 June 2023.
- All the interests stated above represent long positions.

As at 30 June 2023, so far as the Directors are aware, no person had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



## SHARE OPTION SCHEME

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

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

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

Notes:

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

During the six months ended 30 June 2023, 150,000 share options granted under the refreshed scheme mandate limit were lapsed; and no share options were cancelled or exercised.



**DETAILS OF THE MOVEMENTS IN THE COMPANY'S SHARE OPTIONS DURING THE SIX MONTHS ENDED 30 JUNE 2023 (THE "PERIOD") ARE SET OUT BELOW:**

Name or category	Outstanding	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding	Approximate
	as at 1 January 2023					as at 30 June 2023	percentage of the issued shares of the Company
<b>Executive Directors</b>							
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%
<b>Non Executive Director</b>							
Mr. Yim Kwok Man	1,070,400	—	—	—	—	1,070,400	0.17%
Mr. Tsui Wing Tak	—	—	—	—	—	—	0.00%
<b>Independent Non Executive Directors</b>							
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%
<b>Others</b>							
Other Eligible Participants	14,896,400	—	—	—	(150,000)	14,746,400	2.30%
	31,007,600	—	—	—	(150,000)	30,857,600	

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

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

Save as disclosed above, as at 30 June 2023, none of the Directors and their respective close associates have any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses to which the Directors and their close associates were appointed to represent the interests of the Company and/or the Group.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

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



### DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

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

- On 27 November 2020, the Company 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.
- On 6 September 2022, Mark Wealthy Limited (an indirect wholly owned subsidiary of the Company), as the Borrower, entered into a facility agreement with a bank for revolving loan up to an aggregated amount of HK\$40,000,000. Pursuant to the terms of the facility agreement, Mr. Chan Man Fai Joe shall, directly or indirectly, maintain not less than 60% 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 9 November 2022, Autumn Creek (H.K.) Limited (an indirect wholly owned subsidiary of the Company) as the Borrower, entered into a facility agreement with a bank (the "Bank") for revolving loan up to an aggregated amount of HK\$125,000,000. Pursuant to the terms of the facility agreement, Mr. Chan Man Fai Joe shall, directly or indirectly, maintain not less than 60% 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.

As at 30 June 2023, the aggregate interest in the shares in the Company held by Mr. Chan Man Fai Joe, direct and indirect, is 440,710,800 shares, representing approximately 68.70% of the shares of the Company in issued.



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

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

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Man Fai Joe currently holds both positions. Throughout the business history of the Company, Mr. Chan Man Fai Joe has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group's operations as he directly supervises the senior management of the Group.

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



### CHANGES IN INFORMATION OF DIRECTORS

The Company is not aware of any change in Directors' information subsequent to the date of annual report for the year ended 31 December 2022 and up to the date of this report, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the unaudited condensed consolidated interim results and the interim report of the Company for the six months ended 30 June 2023 and agreed to the accounting principles and practices adopted by the Company.

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

Hong Kong, 31 August 2023

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

For the six months ended 30 June 2023

	NOTES	Six months ended	
		30.6.2023 HK\$'000 (Unaudited)	30.6.2022 HK\$'000 (Unaudited)
Revenue	4	160,294	188,990
Cost of sales and services		(131,078)	(124,978)
Gross profit		29,216	64,012
Other income	5	13,469	12,406
Gain on change in fair value of investment properties		–	50,928
Gain on change in fair value of financial assets at fair value through profit or loss	13	455	838
Selling expenses		(10,272)	(8,592)
Administrative expenses		(55,219)	(48,971)
Finance costs	6	(7,454)	(6,660)
Share of results of an associate		11	–
(Loss)/profit before tax	7	(29,794)	63,961
Income tax credit/(expense)	8	206	(3,576)
(Loss)/profit for the period		(29,588)	60,385
<b>Other comprehensive income for the period</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		604	2,671
<b>Total comprehensive income for the period</b>		<b>(28,984)</b>	<b>63,056</b>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(29,737)	61,424
Non-controlling interests		149	(1,039)
		(29,588)	60,385
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		(29,133)	64,248
Non-controlling interests		149	(1,192)
		(28,984)	63,056
(Loss)/earnings per share			
– Basic (HK cents)	10	(4.64)	9.58
– Diluted (HK cents)	10	(4.64)	4.37





# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTES	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment	11	6,481	4,745
Investment properties		883,038	883,038
Investment in an associate		15,435	15,424
Investment in a joint venture		–	–
Deferred tax assets		4,118	4,029
Loan receivables	12	67,493	76,355
Deposits and other receivables	14	6,215	102,426
Amount due from an associate		37,589	–
Amount due from a joint venture		2,574	2,750
Financial assets at fair value through profit or loss	13	4,791	6,129
		<b>1,027,734</b>	<b>1,094,896</b>
<b>Current Assets</b>			
Inventories		12,471	10,808
Properties held for sale		3,946,903	3,841,594
Trade and other receivables, deposits and prepayments	14	67,928	64,124
Financial assets at fair value through profit or loss	13	10,773	10,773
Amounts due from related companies		–	92
Tax recoverable		–	404
Stakeholder's accounts		156,962	17,916
Pledged bank deposits		10,000	10,000
Bank balances and cash		109,045	57,501
		<b>4,314,082</b>	<b>4,013,212</b>
<b>Current Liabilities</b>			
Trade and other payables	15	236,564	331,296
Contract liabilities		219,301	19,216
Amount due to a director		140,506	143,621
Amounts due to related companies		2	9
Lease liabilities		13,968	14,945
Tax liabilities		4,804	14,914
Borrowings	16	2,863,716	2,691,858
		<b>3,478,861</b>	<b>3,215,859</b>
<b>Net Current Assets</b>		<b>835,221</b>	<b>797,353</b>
<b>Total Assets less Current Liabilities</b>		<b>1,862,955</b>	<b>1,892,249</b>



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTES	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
<b>Non-current Liabilities</b>			
Lease liabilities		28,935	32,020
Convertible bonds – liability component	17	91,039	88,208
Deferred tax liabilities		54,635	54,691
		174,609	174,919
<b>Net Assets</b>			
		1,688,346	1,717,330
<b>Capital and Reserves</b>			
Share capital	18	6,415	6,415
Reserves		1,693,977	1,723,110
Equity attributable to owners of the Company		1,700,392	1,729,525
Non-controlling interests		(12,046)	(12,195)
<b>Total Equity</b>			
		1,688,346	1,717,330



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Attributable to owners of the Company

	Share capital	Share premium	Share options reserve	Translation reserve	Shareholders contribution	Convertible bonds – equity component	Merger reserve	Retained earnings	Sub-total	Non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022 (Audited)	6,415	233,457	10,426	(3,490)	190,000	313,698	(150,227)	791,676	1,391,955	(9,699)	1,382,256
Profit for the period	-	-	-	-	-	-	-	61,424	61,424	(1,039)	60,385
Other comprehensive income for the period	-	-	-	2,824	-	-	-	-	2,824	(153)	2,671
Total comprehensive income for the period	-	-	-	2,824	-	-	-	61,424	64,248	(1,192)	63,056
Lapse of share options	-	-	(1,646)	-	-	-	-	1,646	-	-	-
At 30 June 2022 (Unaudited)	6,415	233,457	8,780	(666)	190,000	313,698	(150,227)	854,746	1,456,203	(10,891)	1,445,312
At 1 January 2023 (Audited)	6,415	233,457	8,706	236	193,911	313,698	(150,227)	1,123,329	1,729,525	(12,195)	1,717,330
Loss for the period	-	-	-	-	-	-	-	(29,737)	(29,737)	149	(29,588)
Other comprehensive income for the period	-	-	-	604	-	-	-	-	604	-	604
Total comprehensive income for the period	-	-	-	604	-	-	-	(29,737)	(29,133)	149	(28,984)
Lapse of share options	-	-	(38)	-	-	-	-	38	-	-	-
At 30 June 2023 (Unaudited)	6,415	233,457	8,668	840	193,911	313,698	(150,227)	1,093,630	1,700,392	(12,046)	1,688,346



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<b>(7,646)</b>	79,345
<b>Cash flows from investing activities</b>		
Purchase of investment properties	–	(8,956)
Purchase of property, plant and equipment	(722)	(482)
Proceeds from disposal of property, plant and equipment	353	–
Increase in deposits	–	(34,179)
Release of pledged bank deposits	–	403
Proceeds from disposal of an investment property	–	6,800
Interest received from bank balances and pledged bank deposits	1,687	65
Redemption of financial assets at fair value through profit or loss	1,793	–
<b>Net cash general from/(used in) investing activities</b>	<b>3,111</b>	(36,349)
<b>Cash flows from financing activities</b>		
Borrowings raised	576,046	222,726
Repayments of borrowings	(404,145)	(248,877)
Repayments of lease liabilities	(10,279)	(9,602)
(Decrease)/increase in amount due to a director	(3,115)	36,028
Interest paid	(102,428)	(44,001)
<b>Net cash generated from/(used in) financing activities</b>	<b>56,079</b>	(43,726)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>51,544</b>	(730)
Cash and cash equivalents at beginning of the period	57,501	94,040
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>109,045</b>	93,310
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	109,045	93,310



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of Star Group Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accounts (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2022 (“**2022 annual financial statements**”).

### APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts and the related Amendments

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

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



## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### NEW GUIDANCE ON ACCOUNTING IMPLICATIONS OF THE ABOLITION OF THE MPF-LSP OFFSETTING MECHANISM IN HONG KONG ISSUED BY HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“the Amendment Ordinance”) was gazetted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“MPF”) to offset severance payment (“SP”) and long service payments (“LSP”) (“the Abolition”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (“the Transition Date”). The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of employer’s MPF contributions and its LSP obligation and hence the impact arising from the Abolition, in July 2023 the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“the Guidance”) to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches, being:

- Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of HKAS 19.93(a)
- Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

In prior years and in this 6-month interim period, the Group has estimated its LSP obligations along the defined benefit plan accounting requirements under HKAS 19 Employee Benefits whereas its obligations under MPF scheme are accounted for as defined contribution plan. The Group’s estimated LSP obligation is reduced by the accrued MPF benefits derived from its contributions. The Guidance provides new information on the accounting for the interaction between the employer’s MPF contributions and its LSP obligations. Based on the Group’s assessment, it would need to change its accounting policy for the interaction to confirm with the guidance. The Group’s management team is now collecting information and assessing the financial statements impacts under the above-mentioned two accounting approaches. At the time when these interim financial statements are authorised for issue, the management team is continuing the information collection and impacts assessment. Therefore the Group has not yet concluded the new accounting policy and the resultant impacts on its financial statements. No matter which of Approach 1 or Approach 2 is the Group’s new accounting policy, the new accounting policy would be applied retrospectively in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The Group estimated that the new accounting policy would be concluded before the end of 2023 and the resultant impacts on financial statements would be reflected in the Group’s 2023 annual financial statements.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2022 annual financial statements.

### 4. REVENUE AND SEGMENT INFORMATION

	Six months ended	
	30.06.2023	30.06.2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers</b>		
Sales of properties	118,619	149,910
Provision of property management	5,861	5,181
Provision of construction and fitting out works	3,185	2,012
Trading of fine wine	5,717	2,724
Service income from provision of media production services	–	359
	<b>133,382</b>	160,186
<b>Revenue from other sources</b>		
Rental income from leasing of:		
– investment properties	614	767
– service apartments	1,655	1,299
– storage and workshop	19,487	21,993
– wine cellar	3,197	3,255
Interest income from provision of finance	1,959	1,490
	<b>26,912</b>	28,804
<b>Total revenue</b>	<b>160,294</b>	188,990



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

#### (A) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Segments	Property development		Provision of property management services		Trading of fine wine		Construction and fitting out works		Media production services		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022	30.6.2023	30.6.2022	30.6.2023	30.6.2022	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of properties	118,619	149,910	-	-	-	-	-	-	-	-	118,619	149,910
Provision of property management	-	-	5,861	5,181	-	-	-	-	-	-	5,861	5,181
Provision of construction and fitting out works	-	-	-	-	-	-	3,185	2,012	-	-	3,185	2,012
Trading of fine wine	-	-	-	-	5,717	2,724	-	-	-	-	5,717	2,724
Provision of media production services	-	-	-	-	-	-	-	-	-	359	-	359
<b>Total</b>	<b>118,619</b>	<b>149,910</b>	<b>5,861</b>	<b>5,181</b>	<b>5,717</b>	<b>2,724</b>	<b>3,185</b>	<b>2,012</b>	<b>-</b>	<b>359</b>	<b>133,382</b>	<b>160,186</b>
<b>Geographical market</b>												
Hong Kong	118,619	149,910	5,861	5,181	5,717	2,724	3,185	2,012	-	359	133,382	160,186
<b>Timing of revenue recognition</b>												
A point in time	118,619	149,910	-	-	5,717	2,724	-	-	-	-	124,336	152,634
Over time	-	-	5,861	5,181	-	-	3,185	2,012	-	359	9,046	7,552
<b>Total</b>	<b>118,619</b>	<b>149,910</b>	<b>5,861</b>	<b>5,181</b>	<b>5,717</b>	<b>2,724</b>	<b>3,185</b>	<b>2,012</b>	<b>-</b>	<b>359</b>	<b>133,382</b>	<b>160,186</b>





## 4. REVENUE AND SEGMENT INFORMATION (Continued)

### (B) SEGMENT INFORMATION

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 4. REVENUE AND SEGMENT INFORMATION (Continued)

### (B) SEGMENT INFORMATION (Continued)

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

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property development	118,619	149,910	(6,121)	24,669
Property investment	21,756	24,059	450	54,354
Provision of property management services	5,861	5,181	(29)	1,930
Construction and fitting out works	3,185	2,012	164	270
Provision of finance	1,959	1,490	(3,345)	(2,892)
Wine business	8,914	5,979	(886)	1,183
Media production services	–	359	339	(116)
	160,294	188,990	(9,428)	79,398
Unallocated income			919	902
Unallocated expenses			(17,845)	(12,330)
Finance costs			(3,440)	(4,009)
(Loss)/profit before tax			(29,794)	63,961

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

#### (B) SEGMENT INFORMATION (Continued)

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

	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
<b>Segments assets</b>		
Property development	4,276,449	4,044,592
Property investment	861,662	858,253
Provision of property management services	3,877	4,847
Construction and fitting out works	4,798	3,894
Provision of finance	94,435	102,321
Wine business	75,434	69,846
Media production services	853	961
Total segment assets	5,317,508	5,084,714
Unallocated assets	24,308	23,394
Consolidated total assets	5,341,816	5,108,108
<b>Segments liabilities</b>		
Property development	2,834,480	2,591,902
Property investment	465,908	479,751
Provision of property management services	809	502
Construction and fitting out works	14,265	11,593
Provision of finance	218,044	207,882
Wine business	90,242	54,932
Media production services	997	1,410
Total segment liabilities	3,624,745	3,347,972
Unallocated liabilities	28,725	42,806
Consolidated total liabilities	3,653,470	3,390,778



#### 4. REVENUE AND SEGMENT INFORMATION (Continued)

##### (B) SEGMENT INFORMATION (Continued)

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

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss, certain pledged bank deposits, bank balances and cash, and other corporate assets not attributable to the reportable segments; and
- all liabilities are allocated to operating segments other than certain borrowings and other corporate liabilities not attributable to the reportable segments.

#### 5. OTHER INCOME

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income earned on bank balances and pledged bank deposits	1,687	65
Temporary rental income from properties held for sales	6,729	9,522
Others	5,053	2,819
	<b>13,469</b>	12,406



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 6. FINANCE COSTS

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
Borrowings	91,366	38,028
Advance from a director	4,537	3,684
Interest on lease liabilities	1,451	1,592
Imputed interest on convertible bonds	2,831	3,146
Total borrowing costs	100,185	46,450
Less: amount capitalised in cost of qualifying assets	(92,731)	(39,790)
	7,454	6,660

Borrowing costs capitalised at rate ranging from 3.72% to 13.55% (for the six months ended 30 June 2022: 2.20% to 12.52%) per annum during the period arose on the specific and general borrowings for the expenditure on property development.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 7. (LOSS)/PROFIT BEFORE TAX

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Directors' emoluments	2,046	1,105
Other staff costs		
– Salaries and other allowances	16,537	13,032
– Retirement benefit scheme contributions	687	700
Total staff costs	19,270	14,837
Less: capitalised in properties held for sale	–	(1,144)
	19,270	13,693
Auditors' remuneration	227	431
Cost of inventories recognised as an expense	123,784	122,084
Depreciation of property, plant and equipment	650	494
Depreciation of right-of-use assets	1,092	344
Loss on dissolution of a subsidiary	–	202
Reversal of impairment loss of trade and lease receivables	–	(564)



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 8. INCOME TAX (CREDIT)/EXPENSE

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax – current tax	(61)	3,616
Deferred taxation	(145)	(40)
	(206)	3,576

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

The group entities in South Korea are subject to Korean Corporate Income Tax which comprises national and local taxes (collectively “**Korean Corporate Income Tax**”). Korean Corporate Income Tax is charged at the progressive rate from 10% to 25% on the estimated assessable profit of eligible entities derived worldwide. No provision on Korean Corporate Income Tax has been provided as there is no estimated assessable profits in financial period ended 30 June 2023.

### 9. DIVIDEND

During the current period, the directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2022.

The directors of the Company do not recommend the payment of any interim dividend for both the six months ended 30 June 2023 and 30 June 2022.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 10. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(Loss)/earnings</b>		
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	(29,737)	61,424
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds (net of tax) (Note (b))	N/A	3,146
(Loss)/profit for the period attributable to owners of the Company for the purpose of diluted (loss)/earnings per share	(29,737)	64,570
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	641,498	641,498
Effect of dilutive potential ordinary shares:		
– Outstanding share options issued by the Company (Notes (a) and (b))	N/A	N/A
– Convertible bonds (Note (b))	N/A	836,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	641,498	1,477,498

Notes:

- (a) The computation of diluted earnings per share during the six months ended 30 June 2022 does not assume the exercise of the Company's all share options because the exercise price of those options was higher than the average market price for shares for the six months ended 30 June 2022.
- (b) For the six months ended 30 June 2023, no diluted loss per share was calculated as the potential dilutive ordinary shares arising from convertible bonds and share options have an anti-dilutive effect on the basic loss per share amount presented.





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group spent approximately HK\$722,000 (for the six months ended 30 June 2022: approximately HK\$482,000) on plant and equipment and the Group disposed of plant and equipment of HK\$246,000 (for the six months ended 30 June 2022: Nil).

### 12. LOAN RECEIVABLES

	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
Loan receivables ( <i>Note</i> )	77,518	85,974
Analysis as:		
– Non-current portion	67,493	76,355
– Current portion ( <i>note 14</i> )	10,025	9,619
	77,518	85,974

*Note:*

As at 30 June 2023 and 31 December 2022, the balance included loan receivables which were secured by the property units of the borrowers. Loan receivables amounting to HK\$77,518,000 (31 December 2022: HK\$81,904,000) were interest bearing at various rates ranging from Hong Kong prime rate quoted by the lending bank ("P") minus 2.25% to P (31 December 2022: P minus 2.25% to P) per annum; and as at 31 December 2022, an loan receivable amounting to HK\$4,070,000 was interest bearing at a fixed rate of 10% per annum. Loans are provided to the borrowers above at a range of 48% to 80% (31 December 2022: 48% 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 30 June 2023 and 31 December 2022. As at 30 June 2023 and 31 December 2022, all the loan receivables are neither past due nor impaired.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
Unlisted investment fund	(a)	3,272	4,610
Unlisted participation note	(b)	1,519	1,519
Derivative financial instrument – redemption option	(c)	10,773	10,773
<b>Total</b>		<b>15,564</b>	<b>16,902</b>
Classified as:			
Financial assets at fair value through profit or loss (“FVTPL”):			
– Non-current		4,791	6,129
– Current		10,773	10,773
		<b>15,564</b>	<b>16,902</b>

Notes:

- (a) As at 30 June 2023, the unlisted private equity fund is at a fair value of HK\$3,272,000 (31 December 2022: HK\$4,610,000). The Group redeemed 1,404 shares of the fund and received HK\$1,793,000 during the current period. The Group has recognised a fair value gain of HK\$455,000 (for the six months ended 30 June 2022: HK\$838,000) in respect of the changes in fair value in the profit or loss. The fair value of this unlisted fund investment was measured using valuation technique with significant unobservable inputs and hence was classified as level 3 of the fair value hierarchy.
- (b) As at 30 June 2023, the unlisted participation note is at a fair value of HK\$1,519,000 (31 December 2022: HK\$1,519,000). No change in fair value has been recognised in the profit or loss (for the six months ended 30 June 2022: Nil). The fair value of this unlisted participation note was measured using valuation technique with significant unobservable inputs and hence was classified as level 3 of the fair value hierarchy.
- (c) The balance represents the redemption derivative component in relation to the convertible bonds (note 17).



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>Notes</i>	<b>30.6.2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31.12.2022 HK\$'000 (Audited)
Trade receivables	<i>(a)</i>	<b>6,919</b>	5,661
Lease receivables	<i>(a)</i>	<b>4,061</b>	3,532
		<b>10,980</b>	9,193
Less: Allowance for credit losses		<b>(1,388)</b>	(1,388)
		<b>9,592</b>	7,805
Deposits and other receivables, and prepayments			
– Loan receivable ( <i>note 12</i> )		<b>10,025</b>	9,619
– Loan interest receivables		<b>33</b>	168
– Rental deposits and other receivables	<i>(b)</i>	<b>47,567</b>	45,772
– Prepayments		<b>6,926</b>	4,145
– Deposits paid	<i>(c)</i>	<b>–</b>	99,041
		<b>64,551</b>	158,745
		<b>74,143</b>	166,550
Classified as:			
– Non-current		<b>6,215</b>	102,426
– Current		<b>67,928</b>	64,124
		<b>74,143</b>	166,550



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

Notes:

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

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

	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
0 – 30 days	3,543	2,768
31 – 90 days	1,547	1,812
91 – 180 days	1,039	1,451
181 – 365 days	965	1,163
Over 365 days	2,498	611
	<b>9,592</b>	<b>7,805</b>

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

- (b) As at 30 June 2023, the balance included:
- (i) a loan to the shareholder of the joint venture of the Group amounting to HK\$2,250,000 (31 December 2022: HK\$2,250,000) which is interest bearing at 5% per annum and repayable in year 2024.
  - (ii) other receivables with carrying amounts of HK\$10,000,000 (31 December 2022: HK\$11,250,000) and HK\$3,965,000 (31 December 2022: HK\$1,195,000) are interest bearing at 1% and 0.003% per annum, respectively. The former balance is repayable within 1 year and the latter balance is repayable by monthly instalments up to November 2032.
- (c) As at 31 December 2022, the Group paid deposits with an aggregate amount of HK\$99,041,000 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 in March 2023. The deposits paid were classified as non-current assets as at 31 December 2022.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 15. TRADE AND OTHER PAYABLES

	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
Trade payables (note a)	7,292	2,340
Retention payables (note b)	48,536	53,028
Other payables, deposits received and accruals		
– Rental and other deposits received	31,319	30,503
– Accrued construction costs	105,179	143,967
– Accrued bonus	208	1,780
– Accrued agency commission	3,031	3,092
– Accrued management fees	1,580	2,190
– Accrued legal and professional fees	2,766	5,134
– Interest payables	–	6,525
– Received in advance of rental income	22,972	16,832
– Loans from shareholders of an associate (note c)	–	58,552
– Others	13,681	7,353
	<b>236,564</b>	<b>331,296</b>

Notes:

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

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

	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
0 – 30 days	7,025	2,305
31 – 90 days	40	3
91 – 180 days	227	5
181 – 365 days	–	–
Over 365 days	–	27
	<b>7,292</b>	<b>2,340</b>

(b) As at 30 June 2023, retention payables amounting to HK\$31,704,000 (31 December 2022: HK\$31,443,000) was aged within one year while the remaining amount of HK\$16,832,000 (31 December 2022: HK\$21,585,000) was aged one to two years. All retention payables as at 30 June 2023 and 31 December 2022 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, the two shareholders agreed to make advances with an aggregate amount of HK\$58,552,000 as at 31 December 2022 to the subsidiary as initial funding to acquire a piece of land for the development of a property project in South Korea. The advances were interest-free, unsecured and repayable when the associate obtained a project financing loan. The advances were fully repaid during the period.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 16. BORROWINGS

	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
Borrowing from financial institutions	294,746	189,000
Bank borrowings	2,568,970	2,502,858
	<b>2,863,716</b>	2,691,858
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	1,391,979	1,382,753
– In more than one year but not more than two years	110,132	111,016
– In more than two years but not more than five years	109,928	110,479
– More than five years	27,204	5,665
	<b>1,639,243</b>	1,609,913
Scheduled payment terms of bank borrowings and borrowing from a financial institution without demand clause:		
– Within one year	1,224,473	1,081,945



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 16. BORROWINGS (Continued)

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

	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
Variable-rate borrowings:		
Within one year	2,416,453	2,275,698
In more than one year but not more than two years	110,131	111,016
In more than two years but not more than five years	109,928	110,479
More than five years	27,204	5,665
Fixed-rate borrowings:	2,663,716	2,502,858
Within one year	200,000	189,000
	<b>2,863,716</b>	2,691,858

The Group's variable-rate borrowings carrying 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:

	30.6.2023 (Unaudited)	31.12.2022 (Audited)
Effective interest rates:		
– Fixed-rate borrowings	5.00%-7.50%	5.00%-7.50%
– Variable-rate borrowings	3.72%-13.55%	2.27%-13.59%



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 16. BORROWINGS (Continued)

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

	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
Properties held for sale		
– Under development for sale, at cost	3,484,390	3,260,638
– Completed, at cost	462,513	580,956
	<b>3,946,903</b>	3,841,594
Investment properties	834,675	834,675
Pledged bank deposits	10,000	10,000
	<b>4,791,578</b>	4,686,269

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

As at 30 June 2023 and 31 December 2022, none of the bank covenants relating to drawn down facilities had been breached.





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 17. CONVERTIBLE BONDS

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

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

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

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

	Redemption derivative component HK\$'000	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
<b>As at 1 January 2022 (Audited)</b>	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)
<b>As at 31 December 2022 (Audited)</b>	10,773	(88,208)	(313,698)	(391,133)
Effective imputed interest expense recognised	–	(2,831)	–	(2,831)
<b>As at 30 June 2023 (Unaudited)</b>	10,773	(91,039)	(313,698)	(393,964)

## 17. 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 as at 30 June 2023 and 31 December 2022 are as follows:

	30.6.2023 (Unaudited)	31.12.2022 (Audited)
Share price	0.485	0.385
Conversion price	HK\$0.5	HK\$0.5
Risk-free rate	4.07%	3.67%
Volatility	55.55%	56.26%

## 18. SHARE CAPITAL

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

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2022, 31 December 2022 and 30 June 2023	1,000,000,000	10,000
<b>Issued and fully paid:</b>		
At 1 January 2022, 31 December 2022 and 30 June 2023	641,498,000	6,415

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 19. CAPITAL COMMITMENTS

	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
Capital expenditure in respect of the property development projects contracted for but not provided	93,053	744,283

### 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

The Group's investment properties and financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. During the six months ended 30 June 2023, there were no transfers between level 1 and 2, nor transfers into and out of level 3.

The valuation techniques as at 30 June 2023 are as follows:

#### Information about level 3 fair value measurements

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

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

There were no changes in valuation techniques during both periods.

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 21. RELATED PARTY DISCLOSURES

### (I) TRANSACTIONS

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

Name of related parties	Nature of transaction	Six months ended	
		30.6.2023 HK\$'000 (Unaudited)	30.6.2022 HK\$'000 (Unaudited)
Mr. Joe Chan (director)	Finance costs (Note (a))	4,537	3,684
	Service income (Note (b))	–	(9)
Vogue City Limited ("Vogue City")	Expenses related to short-term lease for a motor vehicle (Note (c))	150	68
M Beauty (H.K.) Limited ("M Beauty")	Cleaning expense (Note (d))	–	20
	Service income (Note (b))	–	(60)
	Office supplies (Note (d))	–	31
Rabbit & Turtle Company Limited ("Rabbit")	Rental expenses (Note (e))	–	139
	Consultancy fee (Note (f))	–	1,173
Galaxy Asset Management Hong Kong Limited ("Galaxy Asset")	Service income (Note (b))	(60)	(52)



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 21. RELATED PARTY DISCLOSURES (Continued)

#### (I) TRANSACTIONS (Continued)

Notes:

- (a) *The loan from a director carried interest at 4.5% to 6.5% per annum for the six months ended 30 June 2023 (six months ended 30 June 2022: 5.5% per annum).*
- (b) *Service income is received from Galaxy Asset, Mr. Joe Chan and M Beauty at a price agreed by the counter parties.*
- (c) *Expenses related to short-term lease for a motor vehicle represented the leasing of a motor vehicle from Vogue City at a price agreed by both parties.*
- (d) *Expenses related to cleaning and office supplies payable to M beauty were determined based on a price agreed between both parties.*
- (e) *The rental expenses or payments charged to Rabbit were based on office areas occupied by the Group and at a rent agreed by both parties.*
- (f) *Consultancy fee payable to Rabbit was determined based on agreed terms set out in relevant consultancy agreements.*

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

#### (II) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

### 22. SUBSEQUENT EVENT

On 27 July 2023, a subsidiary of the Company (the “**Vendor**”) entered into a preliminary sale and purchase agreement with an independent third party purchaser (the “**Purchaser**”), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of a subsidiary of the Vendor (the “**Target Company**”) and all debts owing by the Target Company to the Vendor or the Vendor’s directors and associates (if any) as at the completion date, at a total consideration of HK\$58,000,000. The transaction is expected to complete on or before 3 November 2023. Details of the transaction are set out in the Company’s announcement dated 27 July 2023.

