



盛洋投资

Gemini Investments (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 174



2015 ANNUAL REPORT



CONTENTS

2	Financial Highlights
3	Chairman's Statement
6	Management Discussion & Analysis
15	Biographies of Directors
19	Corporate Governance Report
34	Directors' Report
51	Independent Auditor's Report
53	Consolidated Income Statement
54	Consolidated Statement of Comprehensive Income
55	Consolidated Statement of Financial Position
57	Consolidated Statement of Changes in Equity
58	Consolidated Statement of Cash Flows
60	Notes to the Financial Statements
136	Details of Investment Properties
137	Five-Year Financial Summary
138	Corporate Information



Financial Highlights

(HK\$'000)	2015	2014
Revenue	22,633	91,915
Loss before income tax	(1,133,009)	(144,738)
Loss for the year	(1,135,247)	(144,838)
Loss attributable to owners of the Company	(1,135,247)	(144,838)
Losses per share		
— basic (HK dollars)	(2.52)	(0.32)
— diluted (HK dollars)	N/A	N/A

(HK\$'000)	2015	2014
Total assets	6,528,232	5,887,811
Equity attributable to owners of the Company	3,956,346	4,307,046
Cash and cash equivalents	851,494	2,157,863
Net gearing ratio (times)*	0.41	N/A

* At at 31 December 2014, the Group had bank and cash balances of approximately HK\$2,157.9 million which was sufficient to pay off all the bank borrowings of the Group of approximately HK\$1,522.6 million. Therefore, the Group had not any gearing on a net debt basis at the year end of 2014.



Chairman's Statement

On behalf of the board of directors of Gemini Investments (Holdings) Limited (the "**Company**") (the "**Director(s)**" or the "**Board**"), I have the pleasure to present the result of the Company and its subsidiaries (together referred to as "**our Group**" or "**We**"/"**we**") for the year ended 31 December 2015 (the "**Year**" or "**2015**").

ANNUAL RESULTS FOR 2015

For the year ended 31 December 2015, our Group recorded a loss attributable to its owners of approximately HK\$1,135.2 million, which mainly arose from a non-cash share of loss of approximately HK\$1,012.1 million in a joint venture of the Company, namely Sino Prosperity Real Estate Fund L.P. (the "**SPRE Fund**"). For detailed reasons of the loss, please refer to the section headed "Management Discussion & Analysis" of this annual report.

The Board does not recommend the payment of any final dividend for the Year.

KEY DEVELOPMENT

Our Group is principally engaged in investment in fund platform, fund investment, property investment and securities investment businesses. During 2015, our Group continued to take root in Hong Kong and overseas property markets, especially with more resources devoted to investment in fund platform and fund investment business, which are considered as a prudent but proactive approach to expand the Group's business networks and gain wider access to potential value-enhancing projects, with the ultimate goal to maximise our shareholders' value in the medium to long term.

After completing our investment, among others, in the general partnership interests of Gemini-Rosemont Realty LLC ("**GR Realty**") in August 2015, a commercial real estate acquisition and asset management company based in the United States of America (the "**U.S.**"), we use GR Realty, as a jointly controlled and managed investment platform, through which our Group will not only be able to leverage on its expertise, experience and business network of its management team (more than 200 professionals) in the commercial real estate market, but also diversify our investment in fund platform business and property investment portfolio to a large number of states in the U.S..

As at the end of the Year, GR Realty engaged in the ownership and/or management of its investment portfolio comprising 75 commercial properties, representing 121 buildings, with approximately 14.7 million square feet in 21 states across the U.S.. During the Year, our Group shared the post-acquisition profit of approximately HK\$26.1 million and received the dividend distribution of approximately HK\$10.2 million as a result of our interests in GR Realty and certain syndicated projects controlled by GR Realty.

We position GR Realty as an effective platform to allow our Group to gain expertise and significant access to the U.S. market, in which our Group can take advantage of growth in gross domestic product, declining unemployment rate and growth of the property market, as well as capturing market opportunities in a timely manner and generate our Group considerable investment returns from the management and investment of real estate assets.



Chairman's Statement

For investment in fund platform business in the market of the People's Republic of China (the "PRC"), along with our joint venture partner, we have been actively involved in the continued management and the strategic movement of the jointly managed fund, the SPRE Fund, as well as monitoring the economic and market conditions in China under the backdrop of slowing down of the economic growth.

Considering the volatile global economy, to further diversify our Group's risk exposure and enhance the rate of return through efficient access to a wider variety of investment channels, we have increased capital resource into investing in fund platforms and investment funds which aim at achieving medium to long term capital appreciation through investing substantially in real estate and related projects.

MARKET OUTLOOK

2015 finished with two surprises causing shocks to the global markets, oil price slump and Renminbi ("RMB") devaluation, which deepened capital market's anxiety over the global economy in 2016. With mixed factors of strong U.S. economy, weak performance in the Eurozone, slackened economic growth in China and emerging economies, and rising tension between Middle East countries, we expect global growth would only show a very modest improvement with imbalanced prospects of growth across difference regions.

The performance of the Eurozone economy missed the market expectation slightly in 2015 with domestic demand recorded minor increases and exports mildly accelerated. The monetary stimulus arisen from the continued exceptionally low borrowing costs has been hampered seriously by the middle east refugee dilemma. The downside for Eurozone economy remains uncertain.

The growth in China was noticeably slowdown in 2015, especially in manufacturing and real estate sectors. Key headwinds that may affect the financial stability in China are excess leverage and overcapacity in the industrial and state-owned enterprises sectors, an aging demographic and vast oversupply of property, as well as the volatility of RMB. In 2016, market expects the PRC government and central bank further take effort to stabilize the economy by offering liquidity into the financial system and fostering greater exchange rate flexibility by introducing a change in the calculation of the RMB reference rate.

After the expected rate hike by the Federal Reserve in December 2015, market expects the interest rates to be gradually raised through 2016. Such increase in interest rate after a long break, together with the strengthening of the U.S. dollar, signaled recovery for the U.S. economy. According to improved economic data, we expect U.S. economy to experience healthy recovery in 2016 with an improved labour market, higher core inflation rate and robust consumption. Moreover, technology sector is expected to continually deliver strong performance for brighter earning perspective. The key uncertainty imposed on the U.S. economy will be the presidential election in the fourth quarter of 2016, which could affect the capital market sentiment and investment spending throughout the year.

DEVELOPMENT PROSPECTS

Looking ahead to 2016, global economic growth is likely to remain uneven and moderate. The awareness of continued divergence in economic performance and monetary policy and prompt response to the changing market environment shall be our essential themes when determining and executing investment strategies.

With a view to evolving into an intelligent entity, we will continue to reinforce our professional knowledge and persistently adhere to the discipline of value investing, in selecting attractive investment opportunities in selected countries so as to strengthen our core competencies, to contribute sustainable growth and returns, and extend our business scope in the property markets, as well as maintaining prudent and disciplined financial management policies to ensure our sustainability.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all shareholders, business partners and bank enterprises for their great support and our employees for their commitment and hard work. With the continuous support from our controlling shareholder, Sino-Ocean Land Holdings Limited ("**Sino-Ocean Land**"), we will make our business continue to move forward and grow.

LI Ming

Honorary Chairman

Hong Kong, 29 February 2016

Management Discussion & Analysis

FINANCIAL REVIEW

Revenue

During 2015, our Group recorded a total revenue of approximately HK\$22.6 million (2014: approximately HK\$91.9 million). Significant decline in revenue was mainly due to the decrease in sales of gold bullions by approximately HK\$58.3 million as a result of continuous downward trend of the gold bullions price during the Year.

The following table sets forth our Group's revenue breakdown for 2015 and 2014:

	2015	2014
	HKD'000	HKD'000
Rental revenue	18,204	13,046
Dividend income	2,870	3,651
Management fee income	1,559	16,896
Sales of gold bullions	—	58,322
	22,633	91,915

Loss attributable to owners of the Company

During 2015, our Group recorded a loss attributable to owners of the Company of approximately HK\$1,135.2 million (2014: loss of approximately HK\$144.8 million). Such loss recorded during the Year was mainly because of a non-cash share of loss of approximately HK\$1,012.1 million in a joint venture of the Company (in which the Group had a 50% equity interest), the SPRE Fund which held property projects mainly in second and third tier cities in the PRC and operated a business in the provision of upfitting and decoration services for property projects. The loss to the SPRE Fund arose mainly as a result of the depressed selling price of real estate, which led to the drop in gross profit margin and the increased burden in inventory impairment of the SPRE Fund, under the backdrop of the faltering PRC economy during the Year, especially for the stubborn sluggishness of the real estate market of second and third tier cities with high level of housing inventory. Consequently, our Group recorded basic losses per share of 2.52 HK dollar in 2015 versus basic losses per share of 0.32 HK dollar in 2014.

Utilisation of Net Proceeds of Convertible Preference Shares issued in 2014

As disclosed in the 2014 annual report of the Company, the Company completed the issue of a total of 1.3 billion non-voting convertible preference shares on 23 December 2014, with the net proceeds from the issue (after deducting expenses) amounted to approximately HK\$3,899.0 million. Out of such net proceeds, approximately HK\$3,445.3 million had already been or been committed in 2014 to be applied to finance those projects or transactions undertaken by our Group as specifically disclosed in the paragraph headed "Issue of Convertible Preference Shares" in the section headed "Management Discussion & Analysis" of the 2014 annual report.

Management Discussion & Analysis

During the Year, US\$55.0 million (approximately HK\$426.4 million, being the remaining net proceeds from the issue of the convertible preference shares) had been applied to fund investment in Neutron Property Fund Limited (“**Neutron Property**”), a private equity fund aiming to invest substantially in real estate and related investments primarily in the U.S. and certain other countries. The details of such investment are set out in the Company’s announcement dated 29 June 2015 and circular dated 14 August 2015.

Financial Resources and Liquidity

Total assets and net asset value of our Group as at 31 December 2015 were approximately HK\$6,528.2 million (2014: approximately HK\$5,887.8 million) and approximately HK\$3,956.3 million (2014: approximately HK\$4,307.0 million), respectively.

As at 31 December 2015, the principal amount of our total borrowings amounted to approximately HK\$3,269.0 million (2014: approximately HK\$1,526.6 million), of which approximately HK\$875.1 million repayable within one year. The total borrowings mainly consisted of (a) unsecured borrowings with principal amount totaling approximately HK\$2,744.0 million (as at 31 December 2014: HK\$1,000 million), of which approximately HK\$775.1 million repayable in one year, from Grand Beauty Management Limited (“**Grand Beauty**”), an indirect wholly-owned subsidiary of Sino-Ocean Land, the controlling shareholder of our Company; and (b) an unsecured bank borrowing with principal amount of HK\$500.0 million, of which HK\$100.0 million will be repayable in one year. HK\$50 million of such bank borrowing was repaid in January 2016 with the remaining bank borrowing principal amounted to HK\$450.0 million. The substantial increase in the borrowings of our Group during 2015 arose mainly because Grand Beauty further financed our Group with a 3-year loan with principal amount of US\$125 million (approximately HK\$968.9 million) and a 6-month loan with principal amount of US\$100 million (approximately HK\$775.1 million) during the Year to support the business expansion of our Group. Such 6-month loan of US\$100 million was extended for a further period of 12 months in February 2016 subsequent to the year end. Besides, Grand Beauty granted our Group a US\$700 million loan facility, which had not yet been drawdown at the end of the Year. Apart from the above, our Group did not have any other interest bearing debt as at 31 December 2015.

Total cash resources (including bank balances and cash and short-term bank deposits) amounted to approximately HK\$851.5 million as at 31 December 2015 (2014: approximately HK\$2,157.9 million). Current ratio changed from 39.24 times in 2014 to 1.08 times in 2015 as a result of the increase in short-term borrowings of US\$100 million from Grand Beauty to support the business expansion of our Group, while on the other hand, more cash resources were utilised for investment activities during the Year. Such US\$100 million borrowing was extended for a further period of 12 months in February 2016. The net gearing ratio of our Group, based on total borrowings (of which approximately 79% represented shareholder’s loan from Grand Beauty) less cash resources divided by total shareholders’ equity, was around 41% (2014: Nil).

Given our adaptable financial management policy amid the continued strong financial support from Sino-Ocean Land, we are confident about sustaining our financial liquidity to support our business expansion and maintaining overall financial healthiness in the coming years.



Management Discussion & Analysis

Financial Guarantees

As at 31 December 2015 and 31 December 2014, our Group did not have any financial guarantees given for the benefit of third parties.

Pledged Assets

As at 31 December 2015 and 31 December 2014, our Group did not have any pledged assets.

OPERATION REVIEW

During the Year, our Group adhered to the philosophy of value investment, actively optimizing its asset allocation. An analysis of our Group's turnover and contribution to operating result for the Year by our principal activities is set out in Note 5 to the consolidated financial statements of our Group contained in this annual report.

Investment in Fund Platform

Through investing in fund platform, our Group is able to participate in the property projects in the U.S. and the PRC or in other countries where investment opportunities arise through various structures of vehicles, which enable our Group to share potential gain from such investments.

GR Realty — Joint Venture

In August 2015, our Group has completed the transaction of its acquisition of 45% membership interests in GR Realty, together with membership and limited partnership interests in certain syndicated projects. The details of the transaction and completion are set out in the Company's circular dated 23 June 2015 and announcement dated 22 August 2015.

GR Realty acts as a jointly controlled and managed investment platform of our Group to invest in real estate projects in the U.S. which is expected to generate our Group with considerable investment returns from the operation and management of such real estate assets. During the Year, our Group shared post-acquisition profit of approximately HK\$26.1 million and received dividend of approximately HK\$10.2 million as a result of its interest in GR Realty and certain syndicated projects controlled by GR Realty. As at 31 December 2015, our interest in GR Realty, together with interest in certain syndicated projects controlled by GR Realty, amounted to approximately HK\$935.2 million.

GR Realty is a well-established platform principally engaged in the ownership and/or management of its investment portfolio which comprised 75 commercial properties, representing 121 buildings, with approximately 14.7 million square feet in 21 states across the U.S. as at 31 December 2015. Through investment in GR Realty, our Group will not only be able to leverage on its expertise, experience and business network of its management team (more than 200 professionals) in the commercial real estate market, but also diversify our investment in fund platform business and property investment portfolio

Management Discussion & Analysis

to a large number of states in the U.S., and allow our Group standing on a vantage point due to its exposure and presence in the U.S., which are regions that are expected to benefit from growth in gross domestic product, declining unemployment rate and growth of the property markets. In December 2015, our Group provided an unsecured loan in the principal amount of US\$37.5 million to GR Realty, which carries interest at 6% per annum and repayable in five years, for the purpose of allowing GR Realty to repay in full certain promissory notes, enabling our Group to generate stable interest income and increase value to our Group by allowing GR Realty to utilise existing funds more readily for its future expansions. The details are set out in the Company's announcement dated 10 December 2015 and circular dated 24 December 2015.

SPRE Fund — Joint Venture

The SPRE Fund acted as a jointly controlled and managed investment platform of our Group to invest in real estate projects in the PRC. As at 31 December 2015, our Group had a 50% equity interest in SPRE Fund which amounted to approximately HK\$1,235.0 million, with a 50%-shared capital commitment outstanding to the SPRE Fund of approximately US\$44.7 million. Non-cash share of losses from the SPRE Fund of approximately HK\$1,012.1 million was recognised during the Year, mainly as a result of the depressed selling price of real estate, which led to the drop in gross profit margin and the increased burden in inventory impairment of the SPRE Fund, under the backdrop of the faltering PRC economy during the Year, especially for the stubborn sluggishness of the real estate market of second and third tier cities with high level of housing inventory.

In July 2015, our Group further increased its capital commitment in the SPRE Fund by US\$90 million to US\$340 million to recapitalise the SPRE Fund for its further expansion to capture more investment opportunities when they arise. The details are set out in the Company's announcement dated 7 July 2015 and circular dated 24 July 2015.

Fund Investments

Fund investments provide an efficient means for our Group to capture more sound investment opportunities, diversify its risk exposure, and further enhance its rate of return through efficient management and a wider access to investment channels.

Our fund investment portfolio, classified as available-for-sale investments, recorded carrying value of approximately HK\$2,100.4 million as at 31 December 2015 (2014: approximately HK\$814.1 million). During 2015, apart from other movement, a decrease of approximately HK\$6.5 million in fair value of fund investments was recorded in other comprehensive income for the Year because of the volatile global financial market conditions (2014: decrease in fair value of approximately HK\$22.1 million). No revenue or gain has yet been recognised from fund investments for the Year.

Aiming to further diversify its investment risk and enhance the rate of return of our Group's core business, our Group has made further fund investments as mentioned below during the Year.



Management Discussion & Analysis

In June 2015, our Group made further investment in Neutron Property, with subscription monies of US\$55 million, on top of its existing investment in Neutron Property. Neutron Property is a private equity fund aiming to invest substantially in real estate and related investments primarily in the United States and certain other countries. The details of such investment are set out in the Company's announcement dated 29 June 2015 and circular dated 14 August 2015.

In November 2015, our Group made investment of US\$60 million in a limited partnership interest in Prosperity Risk Balanced Fund LP ("**PRB Fund**"), which was a newly set-up fund and aims to invest in various types of debt instruments of special purpose vehicles holding shares in PRC companies established for the purposes of developing real estate in the PRC. Such investment would allow our Group to invest in different form of securities issued by companies in the PRC real estate sector and diversify its market coverage and risk exposure. The details of the investment are set out in the Company's announcement dated 3 November 2015 and circular dated 25 November 2015.

Property Investments

Investment properties provide a steady and reliable income and cash flow for our Group in addition to the possible capital gains from appreciation in value.

As at 31 December 2015, investment properties held by our Group comprised A-grade office premises in Hong Kong with gross floor area of approximately 16,000 square feet and residential units in New York with gross floor area of approximately 17,000 square feet, with full occupancy.

In 2015, rental income increased by approximately 40.0% to approximately HK\$18.2 million (2014: approximately HK\$13.0 million), which was mainly attributable to our Group's acquisition of 20 residential units in Manhattan, New York, during the second and third quarters of 2014 with rental income contribution for a full year 2015. Revaluation gain of approximately HK\$6.2 million and HK\$3.5 million was recorded on the investment properties located in Hong Kong and New York (2014: approximately HK\$1.3 million and HK\$2.3 million), respectively.

Securities and Other Investments

Total revenue from securities and other investments decreased from approximately HK\$62.0 million to approximately HK\$2.9 million, mainly resulting from the decrease in sales of gold bullions of approximately HK\$58.3 million. Moreover, our Group recorded a loss from changes in fair value of financial instruments held for trading of approximately HK\$40.1 million as a result of the plunge of global capital market during the second half of the Year (2014: a gain of approximately HK\$9.7 million).

As at 31 December 2015, our securities investment portfolio mainly consisted of investment in listed securities in Hong Kong of approximately HK\$10.6 million (31 December 2014: approximately HK\$9.5 million) and overseas and the PRC of approximately HK\$139.0 million (31 December 2014: approximately HK\$95.2 million), which formed part of our Group's cash management activities. Our Group maintained a scalable investment portfolio with proper diversification to avoid the fluctuation of any single market.

Management Discussion & Analysis

Activities relating to our Group's other investments are summarised as follows:

Investment in Alpha Advent Ventures Limited

The sole principal business of Alpha Advent Ventures Limited ("**Alpha Advent**", a wholly-owned subsidiary of Neutron Property) is, through its wholly-owned subsidiary, property development of high end villas of gross floor area of approximately 36,000 square feet in Lantau Island in Hong Kong. In January 2015, our Group invested in Alpha Advent by providing a loan in the principal amount of HK\$180 million which carries interest at 6% per annum, repayable in three years and guaranteed by Neutron Property. Interest income of approximately HK\$10.4 million for our Group was recognised as at 31 December 2015. The details of the investment are set out in the Company's announcement dated 15 January 2015 and circular dated 5 February 2015.

Disposal of investment in Anhui Yangzi Floor Co., Ltd.

In February 2015, our Group disposed of its equity investment of a total of 4,500,000 shares in Anhui Yangzi Floor Co., Ltd ("**Yangzi Floor**"), at a price of RMB5.5 per share in a series of transactions on the open market of National Equities Exchange and Quotations, with a net profit of approximately HK\$5.1 million recorded during the Year. The details are set out in the Company's announcement dated 13 February 2015.

Employees

As at 31 December 2015, the total number of staff employed was 26 (2014: 21). During 2015, the level of our overall staff cost was approximately HK\$28.6 million (2014: approximately HK\$17.7 million), including share-based compensation of around HK\$5.3 million (2014: around HK\$5.1 million). The significant increase of staff cost is mainly as a result of more experienced staff hired during second half of 2014 and during 2015, so as to cope with the expansion of our Group.

With a view to encouraging and rewarding contribution made by our staff, our Group has adopted a share option scheme ("**the Scheme**") and believes that this will be an effective tool for achieving this purpose. During 2015, our Group granted 5,000,000 share options under the Scheme to executive and non-executive directors and certain other employees of our Group. Our Group recruits and promotes individuals based on their performance and development potentials in the positions offered. When formulating staff salary and benefit policies, our Group gives primary consideration to their individual performance and prevailing salary levels in the market.

Contingent Liabilities

As at 31 December 2015, our Group had no significant contingent liabilities.



Management Discussion & Analysis

ENVIRONMENTAL POLICY

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promote awareness towards environmental protection to the employees. Our Group adheres to the principle of Recycling and Reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance. Our Group is also using office equipment carrying Energy Label issued by the Electrical and Mechanical Services Department which save energy in the offices.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year, there was no material and significant dispute between our Group and its business partners or bank enterprises.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.



Management Discussion & Analysis

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Exchange Rates Risk

As our Group's assets and liabilities were mainly denominated in Hong Kong Dollars, U.S. Dollars, RMB and Australian Dollars, in view of the potential RMB and Australian Dollars exchange rate fluctuations, our Group has entered relative hedging to mitigate the foreign exchange rate risk and will continue to closely monitor the exposure and take any actions when appropriate.

Interest Rate Risk

For interest-sensitive products and investments, our Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

Equity price risk

Equity price risk arises from fluctuation in market prices of our Group's investment in financial assets. The investment portfolio is frequently reviewed and monitored by our senior management to ensure prompt action taken and the loss arising from the changes in the market values is capped within an acceptable range.

Liquidity Risk

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.



Management Discussion & Analysis

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process.

Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of our Group would be submitted to the Board.

Manpower and Retention Risk

Our Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of our Group. Our Group will provide attractive remuneration package to suitable candidates and personnel.

Business Risk

Performance of our Group's core business will be affected by various factors, including but not limited to economic conditions, performance of property markets in regions where our investments locate, the performance of the fund managers for our invested funds, which would not be mitigated even with careful and prudent investment strategy and strict procedure.

Joint Venture Partners Risk

Some of the businesses of our Group are conducted through joint ventures in which our Group shares control with the joint venture partners. There is no assurance that any of these joint venture partners will continue their relationships with our Group in the future or their goals or strategies are in line with our Group. Such joint venture partners may have business interests or goals which are different from our Group. They may experience financial and other difficulties or may be unable to fulfil their obligations under the joint ventures which may affect our Group's businesses and operations.

Biographies of Directors



Mr. LI Ming, aged 52, has been appointed as a non-executive Director, the honorary chairman of the Board and the chairman of the nomination committee of the Board since 9 August 2013. He is currently an executive director, the chairman of the board of directors, chairman of the nomination committee and chairman of the investment committee of the board of directors of Sino-Ocean Land, a controlling shareholder of the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 3377). Mr. LI joined the group of Sino-Ocean Land as a general manager in July 1997 and became the chief executive officer in August 2006. Mr. LI also serves as the chairman, legal representative, director or general manager of a number of the subsidiaries and project companies of Sino-Ocean Land. With extensive experience in corporate governance, property development and property investment, Mr. LI is primarily engaged in Sino-Ocean Land’s overall operation management and the implementation of development strategies. Mr. LI obtained a Bachelor’s Degree in Motor Vehicle Transportation from the Jilin Industrial University in July 1985 and a Master’s Degree in Business Administration from the China Europe International Business School in May 1998. He is also a qualified senior engineer. Mr. LI is currently a member of the People’s Congress of the Chaoyang District of the Beijing Municipality, the vice-president of the China Real Estate Association (**CREA**) and the director of the Commercial and tourism Real Estate Professional Committee of CREA.



Mr. SUM Pui Ying, Adrian, aged 54, has been appointed as an executive Director and chief executive officer of the Company since 9 August 2013. He is currently a member of the nomination committee and the chairman of the investment committee of the Board. Mr. SUM joined the Group in 2011, and currently he is also a director of certain subsidiaries and joint ventures of the Company. Mr. SUM is the chief financial officer of Sino-Ocean Land and has been appointed as an executive director of Sino-Ocean Land since 18 December 2015. He joined the group of Sino-Ocean Land in May 2007. Mr. SUM is primarily engaged in the strategic development of Sino-Ocean Land and is responsible for the overall coordination of its overseas business, operation and management of group of Sino-Ocean Land’s Hong Kong and overseas business. Mr. SUM is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England & Wales. Mr. SUM obtained a Professional Diploma in Accounting from the Hong Kong Polytechnic University in 1988, a Master’s Degree in Business Administration from the University of Wales in 1991 and a Diploma in Legal Studies from the University of Hong Kong in 1996. He is currently a director, the Honorary Treasurer and Finance Committee Chairman of Executive Committee of China Real Estate Chamber of Commerce Hong Kong Chapter Limited.

Biographies of Directors



Ms. CUI Yueming, aged 43, has been appointed as an executive Director since 25 April 2015. She is the general manager of asset management division of Sino-Ocean Land. Ms. CUI is also a director of a number of projects companies and subsidiaries of the group of Sino-Ocean Land. Since joining the group of Sino-Ocean Land in February 1998, she has been the chief financial officer of certain project companies, vice-general manager of finance department, general manager of strategic development department of the group of Sino-Ocean Land. Ms. CUI has extensive experience in property investments, operation and management, and corporate governance. Ms. CUI is a China Senior Accountant, she obtained a Bachelor's Degree in Economics from Capital University of Economics and Business in 1996 and a Master's degree in Business Administration from China Europe International Business School in 2015. Ms. CUI has also been appointed as the director of various subsidiaries and joint ventures of the Company.



Mr. LAI Kwok Hung, Alex, aged 51, has been appointed as an executive Director and a member of the investment committee of the Board since 9 August 2013. He joined the Group as senior finance manager in July 2013 and is responsible for the finance and accounting functions of the Group. Mr. LAI is also a director of various subsidiaries and joint ventures of the Company. Mr. LAI has over 26 years' solid experience in auditing, accounting, financial advisory and management matters. Mr. LAI is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom. He is also an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He obtained a Bachelor of Arts degree in Accountancy awarded by The City University of Hong Kong in 1993, a Diploma in Legal Studies awarded by The University of Hong Kong in 2002 and a Master's Degree in Professional Accounting awarded by The Hong Kong Polytechnic University in 2004. He is also a member of China Real Estate Chamber of Commerce Hong Kong Chapter Limited.



Mr. LI Hongbo, aged 48, has been appointed as a non-executive Director since 22 October 2010. He has been the general manager of the finance department of Sino-Ocean Land Limited since 1995, a wholly-owned subsidiary of Sino-Ocean Land. Mr. LI has been the assistant to the chief executive officer of Sino-Ocean Land since 2015, mainly responsible for its overall operation management, financial management and in charge of its financial management centre. He also serves as a director of a number of project companies and subsidiaries of Sino-Ocean Land. Mr. LI has over 20 years of experience as an accountant. Mr. LI obtained a Bachelor of Engineering from Xi'an Highway University (now Chang'an University) in July 1989 and a Master's Degree in Business Administration from the China Europe International Business School in October 2011.

Biographies of Directors



Mr. LAW Tze Lun, aged 44, has been appointed as an independent non-executive Director since 12 November 2010. He is also the chairman of the Audit Committee and the Remuneration Committee and a member of the Investment Committee and Nomination Committee of the Board. He is a Practicing Certified Public Accountant in Hong Kong and currently a director of ANSA CPA Limited. In 1999, Mr. LAW obtained a Bachelor of Commerce (Accounting) from Curtin University of Technology in Australia through distance learning. Mr. LAW is a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia. He has over 22 years of experience in auditing, accounting and finance gained from various accounting firms in Hong Kong. He has been an independent non-executive director of Come Sure Group (Holdings) Limited (stock code: 794) since February 2009 and National Investments Fund Limited (stock code: 1227) since December 2013, both of which are listed on the Stock Exchange.



Mr. LO Woon Bor, Henry, aged 52, has been appointed as an independent non-executive Director since 12 November 2010. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board. Mr. LO is a solicitor and currently the principal of Henry Lo & Co, Solicitors in Hong Kong. He graduated from the University of Hong Kong with a Bachelor of Arts. Mr. LO studied law and passed the Solicitors' Final Examination in the United Kingdom. He was admitted as a solicitor of the Hong Kong Special Administrative Region in 1993 and in England and Wales in 1994. In 1997, Mr. LO obtained a Master of Laws in Chinese and Comparative Law from the City University of Hong Kong. With over 23 years of experience in civil and commercial litigation, Mr. LO has extensive experience in the practice of property law, intellectual property, civil and commercial advice and litigation. He served as an in-house counsel in a listed publication conglomerate from 1998 to 1999. He regularly proffers advice to companies and institutions with regard to civil and commercial subjects and practice.

Biographies of Directors



Mr. DENG Wei, aged 52, has been appointed as an independent non-executive Director since 25 January 2016. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. DENG has been the managing director of Century Bridge Capital Partners and the president of Beijing Century Bridge Investment Co. since May 2008, focusing on equity investment opportunities in the real estate market of the PRC. He has 24 years of professional experience in telecommunications industry, finance industry and real estate investment field with operating expertise in general business management and private equity business. Over the past 15 years, Mr. DENG has established extensive deal sourcing and financing network with investment banks, real estate developers and operators, real estate brokers and other intermediaries in both Greater China Region and the U.S.. During the period from March 2012 to July 2013, Mr. DENG served as an independent non-executive director of Shun Cheong Holdings Limited (the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 650) and re-designated as a non-executive director from August 2013 until November 2013. Mr. DENG holds a bachelor degree of Science and a master degree of Economics from Tsing Hua University in the PRC and a master degree of Science (Engineering and Public Policy) from Carnegie-Mellon University in the U.S..

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the “**Director(s)**” or the “**Board**”) of Gemini Investments (Holdings) Limited (the “**Company**”) is committed to establish and maintain high standards of corporate governance — the process by which the Company is directed and managed, risks of the Company and its subsidiaries (the “**Group**”) are identified and controlled, and accountability to all shareholders of the Company is assured.

This corporate governance report (the “**Corporate Governance Report**”) is to outline the major principles of the Company’s corporate governance. Shareholders of the Company are encouraged to make their views known to the Group if they have issues with the Company’s corporate governance and to directly raise any matters of concern to the chairman of the Board (the “**Chairman**” or the “**Chairman of the Board**”).

For the financial year of the Company ended 31 December 2015 (the “**Year**”) under review, the Company has complied with the applicable code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as and when they were/are in force, except for the following Code Provisions:

- (a) Code Provision A.2.7 requires that the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. Although the Chairman did not hold a meeting with the non-executive Directors without the presence of executive Directors during the Year, he delegated the chief executive officer of the Company (the “**Chief Executive Officer**”) to gather any concerns and/or questions that the non-executive Directors and the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.
- (b) Code Provision A.6.7 requires that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other pre-arranged business commitments which had to be attended by Mr. LI Ming, the honorary chairman of the Board (the “**Honorary Chairman**”) and a non-executive Director, and Mr. LI Hongbo, a non-executive Director, respectively:
 - i. Mr. LI Ming was not present at the annual general meeting of the Company held on 24 April 2015 and the extraordinary general meeting of the Company which was held on 10 July 2015; and
 - ii. Mr. LI Hongbo was not present at the extraordinary general meeting of the Company which was held on 10 July 2015; and
- (c) Code Provision E.1.2 requires that the Chairman of the Board should attend the annual general meeting of the Company. Due to other pre-arranged business commitments which had to be attended by Mr. LI Ming, the Honorary Chairman, he was not present at the annual general meeting of the Company held on 24 April 2015.

Corporate Governance Report

BOARD OF DIRECTORS

Board composition

As at 31 December 2015, the Board consisted of a total of eight members, including three executive Directors, two non-executive Directors whereas one of whom was the Honorary Chairman, and three independent non-executive Directors. The name and biographical details of each Director are set out on pages 15 to 18 of this annual report.

During the Year, a total of four board meetings, one annual general meeting (the “**AGM**” which was held on 24 April 2015) and one extraordinary general meeting (the “**EGM**” which was held on 10 July 2015) of the Company were held. The individual attendance record of each Director at such meetings is tabulated as follows:

	Number of meeting attended in person/held		
	Board meetings	AGM	EGM
Directors			
Mr. LI Ming (Honorary Chairman)	0/4	0/1	0/1
Mr. SUM Pui Ying (Chief Executive Officer)	3/4	0/1	0/1
Mr. LI Zhenyu (resigned on 25 April 2015)	1/1	0/1	N/A
Ms. CUI Yueming (appointed on 25 April 2015)	3/3	N/A	0/1
Mr. LAI Kwok Hung, Alex	4/4	1/1	1/1
Mr. LI Hongbo	4/4	1/1	0/1
Mr. LAW Tze Lun	4/4	1/1	1/1
Mr. LO Woon Bor, Henry	4/4	1/1	1/1
Mr. ZHENG Yun (resigned on 25 January 2016)	3/4	1/1	1/1

All the Directors have access to relevant and timely information. They also have access to the advice and services of the company secretary of the Company (the “**Company Secretary**”), who is responsible for providing the Directors with Board papers and related materials. Where queries are raised by the Directors, prompt and full responses will be given if possible.

Should a potential material conflict of interest involving a substantial shareholder of the Company or a Director arise, the matter will be discussed in a physical Board meeting, as opposed to being dealt with by a written resolution. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

Independent non-executive Directors are identified in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the independent non-executive Directors and the roles and functions of the Directors is maintained on the website of the Company at www.geminiinvestments.com.hk and the website of the Stock Exchange.

Corporate Governance Report

Roles and responsibilities

The Board is collectively responsible for promoting the success and interest of the Group through its leadership and supervision. The principal tasks of the Board are to:

- provide entrepreneurial leadership for the Company with a framework of prudent and effective controls which enable risks to be assessed and managed;
- set the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and review its management performance; and
- set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

No event or condition of material uncertainties was found that may cast significant doubt about the Company's ability to continue as a going concern during the Year. The Directors were responsible for the preparation and the true and fair presentation of the financial statements of the Company, in all material respects, in accordance with applicable regulatory requirements.

Division of responsibilities between the Board and management

While the Board is responsible for directing and approving the Group's overall strategies, the Group also has formed strong management teams in its business areas, with authority and responsibility for developing and exercising both operational and non-operational duties. The management team members of the Group have a wide range of skills, knowledge and experience necessary to govern the Group's operations. All management team members are required to report directly to the Chief Executive Officer on a regular basis to report business performance and operational and functional issues of the Group. This will allow the Group's management to allocate resources more efficiently for its decision-making and facilitate its daily operations.

The Board and the Group's management fully appreciate their respective roles and are committed to good corporate governance. The Board is responsible for overseeing the processes by which the management identifies business opportunities and risks. The Board's role is not to manage the day-to-day business operations of the Group. The Board delegates the authority and responsibility for implementing the day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

Corporate Governance Report

The Board has set up a formal schedule for the Board's decisions, which include establishment of the Group's long term objectives and commercial strategy, changes of the Group's corporate structure, approval of material transactions, corporate governance and internal control. Matters which the Board considers suitable for delegation to its committees are contained in the specific terms of reference of its committees. The terms of reference clearly define the powers and responsibilities of the Board committees. In addition, the Board will receive reports and/or recommendations from time to time from the Board committees on any matter significant to the Group.

Training

Each newly appointed Director, executive or non-executive, is required to undertake an induction program to ensure that he has a proper understanding of his duties and responsibilities.

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, the Directors participated in the following continuous professional development activities:

Directors	Type of trainings <small>(note 1)</small>
Mr. LI Ming	a, b
Mr. SUM Pui Ying	a, b
Mr. LI Zhenyu (resigned on 25 April 2015)	N/A
Ms. CUI Yueming (appointed on 25 April 2015)	a, b
Mr. LAI Kwok Hung, Alex	a, b
Mr. LI Hongbo	a, b
Mr. LAW Tze Lun	a, b
Mr. LO Woon Bor, Henry	a, b
Mr. ZHENG Yun (resigned on 25 January 2016)	a, b

Note 1:

- a. attending seminar or training session
- b. reading newspapers, journals and updates relating to economy, general business or directors' duties and responsibilities etc.

Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers in respect of legal actions against the Directors and officers. Throughout the Year, no claim had been made against the Directors and the officers of the Company.

Corporate Governance Report

Independent advice

The Board and its committees may seek advice from independent professional advisors whenever it considers appropriate. Each Director, with the consent of the Chairman of the Board and/or the chairman of the audit committee of the Company, may seek independent professional advice on matters connected with the Company to perform his/her responsibilities, at the Group's expense. No Director had exercised his/her right for independent professional advice during the Year.

Independence of Non-Executive Directors

The independent non-executive Directors were considered to be independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules. The Company has received a written confirmation of independence from each of the independent non-executive Directors. They were free from any business relationship or other circumstances that could materially interfere with the exercise of their independent or objective judgments. Also, the three independent non-executive Directors, representing over one-third of the Board, constituted a proper balance of power maintaining full and effective control of both the Group and its executive management. No independent non-executive Directors have served the Company for more than 9 years.

Relationships and associations among the Directors

There was no relationship between members of the Board (including financial, business, family or other material/relevant relationship(s)).

Chairman and Chief Executive Officer

The Code Provision A.2.1 of the CG Code stipulates that the roles of the Chairman of the Board and the Chief Executive Officer should be separate and should not be performed by the same individual, and that the division of responsibilities between the Chairman and the Chief Executive Officer should be clearly stated. The Company fully supports such a division of responsibilities between the Chairman and the Chief Executive Officer in order to ensure a balance of power and authority. The positions of the Chairman and the Chief Executive Officer are segregated and are held by Mr. LI Ming and Mr. SUM Pui Ying respectively. These positions have clearly defined separate responsibilities.

The main responsibility of the Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of committees of the Board, the Chief Executive Officer is responsible for the day-to-day management of the Group's business, recommending strategies to the Board, and determining and implementing operational decisions.

Appointment, re-election and removal

The current service contract of Mr. LI Ming as a non-executive Director and the Honorary Chairman has a term of 2 years commencing from 9 August 2015, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service contract, the remuneration of Mr. LI is HK\$1 per annum.

Corporate Governance Report

The current service contract of Mr. SUM Pui Ying as an executive Director and Chief Executive Officer has a term of 3 years commencing from 9 August 2013, subject to early termination as provided in the contract. Under the terms of the service contract, Mr. SUM is entitled to terminate the service contract by giving a prior written termination notice of not less than 6 months before expiry of its fixed term whilst the Company will be entitled to terminate the service contract without cause by payment of termination compensation to Mr. SUM before expiry of its fixed term. Under the terms of the service contract, Mr. SUM will be entitled to a fixed salary of HK\$3 million per annum and an annual bonus equivalent to 5% of the audited consolidated net profit of the Group after tax for the immediate preceding financial year of the Company with such annual bonus to accrue on a daily basis. The terms of the service contract also provide for the grant of options to Mr. SUM to subscribe for a total of 16,000,000 ordinary shares of the Company at an exercise price of HK\$0.96 per share. Under the terms of the service contract, if the Company decides to terminate the service contract without cause before expiry of its fixed term or if Mr. SUM's employment under the service contract lapses automatically by reason of his not being re-elected as a Director at any general meeting of the Company, the Company may be required to pay to Mr. SUM a termination compensation equivalent to the higher of (a) the emoluments (comprising salary and annual bonus) payable by the Company to Mr. SUM for the remainder of the term; or (b) one year's emoluments (comprising salary and annual bonus) payable by the Company to Mr. SUM. Details of the terms of the service contract have been disclosed in the circular of the Company dated 23 August 2013.

The current service contract of Ms. CUI Yueming as an executive Director has a term of 1 year commencing from 25 April 2015, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service contract, the remuneration of Ms. CUI Yueming is HK\$180,000 per annum.

The current service contract of Mr. LAI Kwok Hung, Alex as an executive Director has a term of 2 years commencing from 9 August 2015, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service contract, the remuneration of Mr. LAI Kwok Hung, Alex is HK\$180,000 per annum.

The current service contract of Mr. LI Hongbo as a non-executive Director has a term of 1 year commencing from 2 January 2016, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service contract, the remuneration of Mr. LI Hongbo is HK\$180,000 per annum.

Messrs. LAW Tze Lun, LO Woon Bor, Henry and ZHENG Yun were re-appointed as independent non-executive Directors for a term of 3 years commencing from 2 January 2016 pursuant to their current appointment letters with the Company, subject to early termination by either party giving the other not less than 1 month's prior notice in writing. Under the above appointment letters, the remuneration of each of them is HK\$180,000 per annum. Mr. ZHENG Yun resigned with effect from 25 January 2016.

Mr. DENG Wei was appointed as an independent non-executive Director for a term of 1 year commencing from 25 January 2016 pursuant to his appointment letter with the Company, subject to early termination by either party giving the other not less than 1 month's prior notice in writing. Under the above appointment letter, the remuneration of Mr. DENG Wei is HK\$180,000 per annum.

Corporate Governance Report

All Directors are subject to retirement by rotation and re-election at the AGM at least once every three years pursuant to the Articles of Association of the Company (the “**Articles**”).

Pursuant to Article 116 of the Articles, Messrs. LI Ming, SUM Pui Ying and LAI Kwok Hung, Alex, being three of the Directors who have been longest in office since their last election, will retire from office of the Board by rotation at the forthcoming AGM and offer themselves for reelection.

Pursuant to Article 99 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the general meeting of the Company, but he/she shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation in case he/she retires at an annual general meeting. Mr. DENG Wei, being an independent non-executive Director, was appointed by the Board to fill a casual vacancy with effect from 25 January 2016, being the effective date on which Mr. ZHENG Yun resigned as independent non-executive Director, and shall hold office until the AGM. Mr. DENG Wei, being eligible, will offer himself for reelection at the AGM.

BOARD COMMITTEES

The Board has set up four board committees, namely, the audit committee, the remuneration committee, the nomination committee and the investment committee (collectively the “**Board Committees**”), for overseeing particular aspects of the Company’s affairs. The table below provides membership information of these committees on which each Board member serves.

Board Committees	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee
Directors				
Mr. LI Ming (NED)	—	—	C	—
Mr. SUM Pui Ying (ED)	—	—	M	C
Mr. LI Zhenyu (ED) (resigned on 25 April 2015)	—	—	—	M
Mr. LAI Kwok Hung, Alex (ED)	—	—	—	M
Mr. LAW Tze Lun (INED)	C	C	M	M
Mr. LO Woon Bor, Henry (INED)	M	M	M	—
Mr. ZHENG Yun (INED) (resigned on 25 January 2016)	M	M	M	—
Mr. DENG Wei (INED) (appointed on 25 January 2016)	M	M	M	—

Notes:

C	Chairman of the relevant Board committee
M	Member of the relevant Board committee
ED	Executive Director
NED	Non-Executive Director
INED	Independent Non-Executive Director

Corporate Governance Report

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The attendance of each individual committee member at the Board Committee meetings held during the Year is summarised below.

Board Committees	Number of meeting attended/held			
	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee
Directors				
Mr. LI Ming (NED)	—	—	0/1	—
Mr. SUM Pui Ying (ED)	—	—	1/1	0/1
Mr. LI Zhenyu (ED) (resigned on 25 April 2015)	—	—	—	N/A
Mr. LAI Kwok Hung, Alex (ED)	—	—	—	1/1
Mr. LAW Tze Lun (INED)	2/2	1/1	1/1	1/1
Mr. LO Woon Bor, Henry (INED)	2/2	1/1	1/1	—
Mr. ZHENG Yun (INED) (resigned on 25 January 2016)	2/2	1/1	1/1	—

Nomination Committee

The nomination committee of the Board (the "Nomination Committee") meets formally at least once a year.

A Nomination Committee meeting was held during the Year. The following is a summary of the work performed by the Nomination Committee during the Year:

- (a) reviewing and evaluating the composition of the Board with reference to certain criteria. These criteria included qualifications required under the Listing Rules or any other relevant laws regarding characteristics and skills of the Directors, professional ethics and integrity, appropriate professional knowledge and industry experience, as well as ability to devote sufficient time to the work of the Board and its committees and to participate in all Board meetings and shareholders' meetings;
- (b) reviewing and recommending the re-appointment of the retiring Directors;
- (c) assessing independence of the independent non-executive Directors;
- (d) assessing and recommending the appointment of Ms. CUI Yueming as an executive Director; and
- (e) reviewing and recommending the renewal of the director's service contract of Mr. LI Ming and Mr. LAI Kwok Hung, Alex.

Corporate Governance Report

According to the written terms of reference of the Nomination Committee which can be viewed on the website of the Company at www.geminiinvestments.com.hk and the website of the Stock Exchange, the major responsibilities of the Nomination Committee include:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) to assess the independence of the independent non-executive Directors; and
- (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer.

As the Company recognises that having a board diversity policy can enhance the quality of its performance, under the recommendation of the Nomination Committee, the Board has adopted a board diversity policy in compliance with Code Provision A.5.6 of the CG Code. Pursuant to the board diversity policy of the Company, in designing the Board's composition so as to achieve board diversity, a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of the candidates will be taken into account. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Remuneration committee

The remuneration committee of the Board (the "**Remuneration Committee**") had met once during the Year. Its primary objective is to ensure that the Company can recruit, retain and motivate high-calibre staff in order to reinforce the success of the Company and create value for its shareholders.

According to the written terms of reference of the Remuneration Committee which can be viewed on the website of the Company at www.geminiinvestments.com.hk and the website of the Stock Exchange, the Remuneration Committee has adopted the model to make recommendations to the Board on the remuneration packages of individual Executive Director(s) and senior officers including benefits in kind, pension rights and compensation payment comprising any compensation payable for loss or termination of their office or appointment. It also makes recommendations to the Board on the remuneration of Non-Executive Directors. Its principal role is to assist the Board to oversee the policy and structure of the remuneration of the executive Director(s) of the Company and senior officers of the Group.

Corporate Governance Report

The following is a summary of work performed by the Remuneration Committee during the Year:

- (a) reviewing and recommending the policy and structure of the remuneration of the Directors and senior officers of the Group to the Board;
- (b) assessing individual performance of the Directors and senior officers of the Group;
- (c) reviewing specific remuneration packages of the Directors and senior officers of the Group with reference to the Board's corporate goals and objectives as well as individual performances;
- (d) reviewing and making recommendations to the Board on compensation-related issues; and
- (e) reviewing and recommending the director's service contracts of Mr. LI Ming, Mr. LAI Kwok Hung, Alex and Ms. CUI Yueming.

Principles of remuneration policy

The principles of the Group's remuneration policy:

- were applied to all Directors and senior officers of the Group for the Year and, so far as practicable, shall be applied to them for subsequent years;
- were sufficiently flexible taking into account future changes in the Company's business environment and remuneration practice;
- allowed remuneration arrangement to be designed to support the business strategy of the Group and to align with the interests of the Group's shareholders;
- aimed at setting appropriate reward levels to reflect the competitiveness in the market in which comparable companies and the Group had been operating during the Year so as to retain individuals with outstanding performance;
- maintained performance-related remuneration basis for the executive Directors and senior officers of the Group; and
- required that performance-related remuneration be subject to satisfactory performance over short and long term targets, and the targets be set and assessed in the context of the Group's prospects, the prevailing economic environment in which it operates and the relative performance of comparable companies.

Remuneration structure

Under the above remuneration policy, the remuneration package of each executive Director and senior officer of the Group during the Year was structured to include:

- an appropriate rate of base compensation for the job of each executive Director and senior officer of the Group;

Corporate Governance Report

- competitive benefit programs; and
- sets of performance measures and targets for performance-related annual and long-term incentive plans based on the appropriate independent advice and/or an assessment of the interests of shareholders of the Company and taking into account an appropriate balance of risk and reward for the Directors and other participants.

Audit Committee

The audit committee of the Board (the “**Audit Committee**”) had met twice during the Year. The external auditors, the executive Directors and the Group’s finance manager were invited to attend these two Audit Committee’s meetings.

The Audit Committee is provided with sufficient resources to perform its duties. Latest terms of reference of the Audit Committee can be viewed on the website of the Company at www.geminiinvestments.com.hk and the website of the Stock Exchange.

The major roles of the Audit Committee include the following:

- (a) to act as the key representative body for overseeing the relationship with the external auditors;
- (b) to review the Company’s annual and interim financial statements; and
- (c) to evaluate the effectiveness of the Group’s internal control and risk management systems.

During the Year, the Audit Committee had performed the following work (in summary):

- The Audit Committee assisted the Board in assuring the integrity of the Company’s financial statements. It evaluated and made recommendations to the Board about the appropriateness of accounting policies and practices, areas of judgment, compliance with Hong Kong Financial Reporting Standards and other legal requirements, and the results of external audit. It reviewed interim and annual financial statements of the Company, reported its work and findings to the Board and made recommendations on specific actions or decision for the Board to consider after each Audit Committee’s meeting. Minutes of the Audit Committee’s meetings were kept by the Company Secretary and made available to all Directors.
- The Audit Committee also managed the relationship with the external auditors on behalf of the Board. It made recommendation to the Board on the appointment of the external auditors and the relevant terms of engagement, including remuneration. The Audit Committee was required to review the integrity, independence and objectivity of the external auditors. Also, it examined the external auditors’ independence including its engagement of non-audit services. Based on the review of the Audit Committee, the Board was satisfied that the external auditors were independent. The external auditors had also expressed an opinion on their reporting responsibilities in the “Independent Auditor’s Report” set out on pages 51 to 52 of this annual report.

The header image features a collage of three blue-tinted photographs: a modern office interior with large windows, a lounge area with sofas and coffee tables, and a bar or reception area with glassware and lighting.

Corporate Governance Report

- The Audit Committee was required to ensure that the system of internal control of the Group was in place for identifying and managing risks. The Audit Committee had reviewed the effectiveness of internal controls for the Year. Such review covered financial, operational and compliance controls and risk assessment of the Group. The Board was satisfied that the effectiveness of the internal controls of the Group had been properly reviewed by the Audit Committee.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under the CG Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and senior officers of the Group;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the codes of conduct applicable to employees and the Directors; and
- to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

During the Year, the Board considered the following corporate governance matters:

- review of the compliance with the CG Code; and
- review of the effectiveness of the internal controls and risk management systems of the Group through the Audit Committee.

INTERNAL CONTROLS

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' interests and assets of the Group. Each year the Board through the Audit Committee reviews the effectiveness of the Group's system of internal controls and reports the results of the review to the shareholders.

This annual review typically covers all material controls, including financial, operational and compliance controls and risk management functions, and considers the adequacy of resources, qualification and experience of staff, training programmes and budget of the Company's accounting and financial reporting function.

Corporate Governance Report

During the Year, the Board has through the Audit Committee reviewed the effectiveness of the internal control system of the Group and considered such internal control system effective and adequate.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under the CG Code.

(a) Convening a general meeting on requisition by shareholders of the Company

Shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can submit a written request to the Company to call a general meeting pursuant to section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong (the "**Companies Ordinance**")).

The written request must:

- (a) state the general nature of the business to be dealt with at the meeting; and
- (b) be authenticated by the shareholder(s) making the request.

The written request may include the text of a resolution that may properly be moved and is intended to be moved at the meeting, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at that general meeting.

The shareholder(s) of the Company can send the written request to the Company's registered office at Room 3902, 39th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong for the attention of the Company Secretary. If the Directors do not within 21 days from the date of the deposit of the written request proceed to call a general meeting for a day not more than 28 days after the date of the notice convening the general meeting, the shareholder(s) who requested the meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, but any such general meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call the general meeting.

(b) Procedures for directing shareholders' enquiries to the Board

Shareholders can put enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company at Room 3902, 39th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong, for the attention of the Company Secretary.

Corporate Governance Report

(c) Moving a resolution at an AGM

Shareholder(s) of the Company can submit a written request to move a resolution at an AGM of the Company pursuant to Section 615 of the Companies Ordinance if:

- (a) they represent at least 2.5% of the total voting rights of all shareholders of the Company having a right to vote at the AGM; or
- (b) the number of such shareholders represent at least 50 shareholders who have a right to vote at the AGM.

The written request must:

- (a) state the resolution, which may be accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the AGM; and
- (b) be authenticated by the shareholder(s) making the request.

The written request can be sent to the Company's registered office at Room 3902, 39th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong for the attention of the Company Secretary, and it must be received by the Company not later than 6 weeks before the AGM or if later, the time at which notice is given of that AGM.

(d) Proposing Directors for election at general meetings

In respect of proposing a person for election as a director of the Company at general meetings, please refer to the procedures available on the website of the Company at www.geminiinvestments.com.hk.

Constitutional documents

During the Year, there had been no significant change to the Articles.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibilities for the preparation of the financial statements of the Company for each financial year, which should give a true and fair view of the state of affairs, results and cash flow of the Group for that year in compliance with relevant laws and disclosure provisions of the Listing Rules.

Corporate Governance Report

In preparing the financial statements for the Year, the Directors adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations.

The financial statements for the Year have been prepared by the Directors on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. A statement by the external auditors of the Company regarding their reporting responsibilities on the accounts of the Group is set out in the "Independent Auditor's Report" on pages 51 to 52 in this annual report.

Auditors' Remuneration

The Board, based on the recommendation of the Audit Committee, approved the appointment of BDO Limited ("**BDO**") as the Group's external auditor to perform audit services for the Group for the Year. BDO has been appointed as the external auditor of the Group on 30 April 2012 since Messrs. Deloitte Touche Tohmatsu was retired as the Group's external auditors on the same date.

During the Year, total fees paid to BDO amounted to HK\$2,802,000, of which HK\$1,202,000, or approximately 43%, were fees for non-audit services. Details of such non-audit services and the related amount are as follows.

Review of interim financial information for the six months ended 30 June 2015	HK\$300,000
Other reporting services in respect of the Group's acquisition, very substantial transaction and major transaction	HK\$902,000

CODES FOR SECURITIES TRANSACTION BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors, following specific enquiries made by the Company, have confirmed that they have complied with the required standard as set out in the Model Code during the Year.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees who, because of office or employment, are likely to be in possession of inside information in relation to the Company's securities has been requested to follow such code when dealing in the securities of the Company.



Directors' Report

GEMINI INVESTMENTS (HOLDINGS) LIMITED (THE "COMPANY")

It is the pleasure of the directors of the Company (the "**Director(s)**" or the "**Board**") to present to the shareholders their report (the "**Directors' Report**") and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015 (the "**Year**").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in investment in fund platform, fund investment, property investment and securities investment businesses. The principal activities of its subsidiaries are set out in Note 33 to the consolidated financial statements of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated income statement of the Group on page 53 of this annual report.

The Board did not recommend the payment of a final dividend for the Year.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on pages 3 to 5 and pages 6 to 14 of this annual report.

SHARE CAPITAL

Exercise of share options

During the Year, the Company issued a total of 2,890,000 ordinary shares (the "**Shares**") as a result of the exercise of share options granted under the share option scheme of the Company (whose details are further disclosed in the section headed "Share Option Scheme" below).

Details of the issue and allotment of such Shares are set out as follows:

Date of issue	Number of Shares issued	Exercise price per Share (HK\$)	Consideration received by the Company (HK\$)
27 April 2015	100,000	0.96	96,000
4 May 2015	100,000	1.27	127,000
26 May 2015	50,000	0.96	48,000
27 May 2015	1,000,000	0.96	960,000
28 May 2015	50,000	1.27	63,500
29 May 2015	50,000	1.27	63,500
29 May 2015	500,000	0.96	480,000
1 June 2015	30,000	0.96	28,800
2 June 2015	10,000	1.27	12,700
3 June 2015	1,000,000	0.96	960,000
	Total:		Total:
	2,890,000		2,839,500

As a result of the above, as of 31 December 2015, the Company's total issued Shares had been increased to 450,990,000 Shares, increasing by 2,890,000 Shares compared with last year.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Group, or existed during the Year.

INVESTMENT PROPERTIES

All of the investment properties of the Group were revalued at 31 December 2015, as set out in Note 15 to the consolidated financial statements of the Group.

Particulars of the investment properties of the Group as at 31 December 2015 are set out in "Details of Investment Properties" of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Year are set out in Note 16 to the consolidated financial statements of the Group.

RESERVES

As at 31 December 2015, the Company's reserves available for distribution to its shareholders comprised the retained profits of approximately HK\$241.1 million (2014: of approximately HK\$187.5 million).

Directors' Report

DISTRIBUTABLE RESERVES

Details of the Company's distributable reserves are set out in Note 25 to the consolidated financial statements of the Group.

DIRECTORS

The Directors of the Company during the Year and up to the date of this Directors' Report were/are:

LI Ming (NED) (Honorary Chairman)
SUM Pui Ying (ED) (Chief Executive Officer)
LI Zhenyu (ED) (Chief Operating Officer) (resigned on 25 April 2015)
CUI Yueming (ED) (appointed on 25 April 2015)
LAI Kwok Hung, Alex (ED)
LI Hongbo (NED)
LAW Tze Lun (INED)
LO Woon Bor, Henry (INED)
ZHENG Yun (INED) (resigned on 25 January 2016)
DENG Wei (INED) (appointed on 25 January 2016)

Notes:

ED Executive Director
NED Non-Executive Director
INED Independent Non-Executive Director

In accordance with Article 116 of the Company's articles of association (the "**Articles**"), at each annual general meeting (the "**AGM**") of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office such that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election. Therefore, Messrs. LI Ming, SUM Pui Ying and LAI Kwok Hung, Alex, being three of the Directors who have been longest in office since their last election, will retire from office of the Board by rotation at the forthcoming AGM, and, being eligible, offer themselves for re-election.

Pursuant to Article 99 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the general meeting of the Company, but he/she shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation in case he/she retires at an annual general meeting. Mr. DENG Wei, being an independent non-executive Director, was appointed by the Board to fill a casual vacancy with effect from 25 January 2016, being the effective date on which Mr. ZHENG Yun resigned as independent non-executive Director, and shall hold office until the AGM. Mr. DENG Wei, being eligible, will offer himself for re-election at the AGM.

During the Year and up to the date of this Directors' Report, Mr. SUM Pui Ying, Mr. LAI Kwok Hung, Alex, Ms. CUI Yueming and Ms. WANG Xi have served on the boards of the Company's subsidiaries.

DIRECTORS' SERVICE CONTRACTS

Except for the service contract for Mr. SUM Pui Ying as disclosed in the paragraph headed "Appointment, re-election and removal" in the Corporate Governance report, which has a fixed period of 3 years commencing from 9 August 2013 and ending on 8 August 2016, no other Director (including any Director proposed for re-election at the forthcoming AGM) has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the transactions as disclosed in the sections headed "Continuing Disclosure Requirements Under Rule 13.21 of Chapter 13 of the Listing Rules" below, and the borrowings of the Group and the related party transactions of the Group as disclosed in Notes 22, 23 and 31 to the consolidated financial statements of the Group, no other transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries, parent companies or fellow subsidiaries was a party, and in which any Director or a connected entity of any Director had a material interest (whether directly or indirectly) or to which the controlling shareholder of the Company or any of its subsidiaries is a party, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors has an interest in any business constituting a competing business to the Group.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Group has taken out and maintained directors' liability insurance throughout the Year, which provides appropriate cover for legal actions brought against the Directors and directors of the subsidiaries of the Group. The level of the coverage is reviewed annually.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares or 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, Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained 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:

Long position in the underlying shares of equity derivatives of the Company

Under the share option scheme of the Company (whose details are further described in the section headed "Share Option Scheme" below), share options were granted to the following Directors which entitled them to subscribe for the Shares. Accordingly, they were regarded as interested in the underlying Shares. Details of the share options of the Company held by them as at 31 December 2015 were as follows:

Name of Directors	Capacity	Date of grant	Exercise period	Number of Shares over which options are exercisable as at 31 December 2015	Exercise price per Share HK\$	Approximate percentage of interest in the issued Shares as at 31 December 2015
LI Ming	Beneficial owner	9 August 2013	9 August 2013 — 22 June 2021	4,000,000 (L)	0.96	0.887%
SUM Pui Ying	Beneficial owner	26 August 2011	26 August 2011 — 22 June 2021	2,000,000 (L)	1.40	0.443%
		9 August 2013	9 August 2013 — 22 June 2021	16,000,000 (L) (Note 1)	0.96	3.548%
Total:				18,000,000 (L)		3.991%

Directors' Report

Name of Directors	Capacity	Date of grant	Exercise period	Number of Shares over which options are exercisable as at 31 December 2015	Exercise price per Share HK\$	Approximate percentage of interest in the issued Shares as at 31 December 2015
CUI Yueming	Beneficial owner	9 March 2015	9 March 2015 — 22 June 2021	790,000 (L)	1.27	0.175%
LAI Kwok Hung, Alex	Beneficial owner	9 August 2013	9 August 2013 — 22 June 2021	3,000,000 (L)	0.96	0.665%
		9 March 2015	9 March 2015 — 22 June 2021	500,000 (L)	1.27	0.111%
			Total:	3,500,000 (L)		0.776%
LI Hongbo	Beneficial owner	9 August 2013	9 August 2013 — 22 June 2021	1,000,000 (L)	0.96	0.222%
		9 March 2015	9 March 2015 — 22 June 2021	500,000 (L)	1.27	0.111%
			Total:	1,500,000 (L)		0.333%

Notes:

- These share options were granted to Mr. SUM Pui Ying pursuant to the terms of a service contract entered into between Mr. SUM Pui Ying and the Company on 9 August 2013. Share options granted to Mr. SUM Pui Ying to subscribe for a total of 4,000,000 Shares had already been vested following the approval of the service contract by the shareholders of the Company on 16 September 2013. The share options to subscribe for the remaining 12,000,000 Shares (the "**Remaining Options**") shall be vested on the basis that one third of the Remaining Options will be vested on the first, second and third anniversaries of 9 August 2013 (being the date of commencement of the term of the service contract), such that the Remaining Options will be fully vested on 9 August 2016, provided however that all those Remaining Options, to the extent not yet vested in accordance with the above schedule, shall become vested immediately if (i) the service contract is terminated by the Company without cause by payment of termination compensation to Mr. SUM Pui Ying or (ii) the employment of Mr. SUM Pui Ying under the service contract lapses automatically by reason of his not being re-elected as a Director at any general meeting of the Company. As the first and second anniversaries of 9 August 2013 have already passed, a further 8,000,000 share options have been vested. Therefore, as at 31 December 2015, a total of 12,000,000 of share options were vested in Mr. SUM Pui Ying pursuant to the terms of the service contract.
- The letter "L" denotes a long position in the Shares.

Directors' Report

Long position in the shares of associated corporation(s) of the Company

As at 31 December 2015, the interests of the Directors in the shares of Sino-Ocean Land Holdings Limited (“**Sino-Ocean Land**”) (being the associated corporation of the Company) were as follows:

Name of Directors	Capacity	Number of shares in Sino-Ocean Land	Approximate percentage of interest in the issued share capital of Sino-Ocean Land as at 31 December 2015
LI Ming	Beneficial owner	3,127,000 (L)	0.042%
	Founder of discretionary trust	127,951,178 (L) (Note 1)	1.703%
	Beneficiary of trust	6,715,925 (L) (Note 2)	0.089%
	Total:	137,794,103 (L)	1.834%
SUM Pui Ying	Beneficial owner	793,625 (L)	0.011%
CUI Yueming	Beneficial owner	13,865 (L)	less than 0.001%
LI Hongbo	Beneficial owner	387 (L)	less than 0.001%

Notes:

1. The 127,951,178 shares in Sino-Ocean Land are held by a discretionary trust of which Mr. LI Ming is a founder.
2. The 6,715,925 shares in Sino-Ocean Land are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.
3. The letter “L” denotes a long position in the shares in Sino-Ocean Land.

Long position in the underlying shares of equity derivatives of associated corporation(s) of the Company

Sino-Ocean Land has adopted two schemes for the benefits of eligible directors and employees of Sino-Ocean Land and its subsidiaries (which include the Company and its subsidiaries) (the “**Sino-Ocean Land Group**”) in order to provide an incentive for directors and employees of the Sino-Ocean Land Group.

One of the schemes is the restricted share award scheme adopted by Sino-Ocean Land on 22 March 2010 (the “**Adoption Date**”) as an incentive to retain and encourage the employees of the Sino-Ocean Land Group for the continual operation and development of the Sino-Ocean Land Group. Pursuant to the restricted share award scheme, shares up to 3% of the issued share capital of Sino-Ocean Land as at the Adoption Date shall be purchased by the trustee from the market out of cash contributed by the Sino-Ocean Land Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the restricted share award scheme.

Directors' Report

The other scheme is the share option scheme of Sino-Ocean Land, which is valid and effective for a period of 10 years until 27 September 2017, unless it is terminated earlier in accordance with the provisions of such share option scheme. This scheme was adopted for the purpose of providing an incentive for employees of the Sino-Ocean Land Group to work with commitment towards enhancing the value of Sino-Ocean Land and to compensate employees of the Sino-Ocean Land Group for their contribution based on their individual performance. Under the share option scheme of Sino-Ocean Land, share options may be granted to eligible directors and employees of the Sino-Ocean Land Group to subscribe for new shares in Sino-Ocean Land.

In respect of the restricted share award scheme of Sino-Ocean Land, the following Directors were granted certain share awards under the restricted share award scheme and were accordingly regarded as having an interest in the shares of Sino-Ocean Land (being the associated corporation of the Company) pursuant to the provisions of the SFO. Details of share awards held by them as at 31 December 2015 were as follows:

Name of Directors	Capacity	Date of grant	Number of shares in Sino-Ocean Land awarded but not yet vested as at 31 December 2015	Approximate percentage of interest in the issued share capital of Sino-Ocean Land as at 31 December 2015
LI Ming	Beneficial owner	18 March 2013	192,900 (L)	0.003%
		18 March 2014	1,165,875 (L)	0.016%
		18 March 2015	2,688,300 (L)	0.036%
		Total:	4,047,075 (L)	0.054%
SUM Pui Ying	Beneficial owner	18 March 2013	64,950 (L)	0.001%
		18 March 2014	392,625 (L)	0.005%
		18 March 2015	967,800 (L)	0.013%
		Total:	1,425,375 (L)	0.019%
CUI Yueming	Beneficial owner	18 March 2013	11,400 (L)	less than 0.001%
		18 March 2014	67,500 (L)	0.001%
		18 March 2015	107,500 (L)	0.001%
		Total:	186,400 (L)	0.002%
LI Hongbo	Beneficial owner	18 March 2013	23,550 (L)	less than 0.001%
		18 March 2014	55,125 (L)	0.001%
		18 March 2015	107,500 (L)	0.001%
		Total:	186,175 (L)	0.002%

Note: The letter "L" denotes a long position in the shares in Sino-Ocean Land.

Directors' Report

Regarding the share option scheme adopted by Sino-Ocean Land, the following Directors had been granted share options to subscribe for shares in Sino-Ocean Land and were accordingly regarded as interested in the underlying shares of Sino-Ocean Land (being the associated corporation of the Company) pursuant to the provisions of the SFO. Details of the share options of Sino-Ocean Land held by them as at 31 December 2015 were as follows:—

Name of Directors	Capacity	Date of grant of share options	Exercise period (Note 3)	Number of shares in Sino-Ocean Land over which options are exercisable as at 31 December 2015	Exercise price per share HK\$	Approximate percentage of interest of such share options held as at 31 December 2015 relative to the issued share capital of Sino-Ocean Land as at 31 December 2015
LI Ming	Beneficial owner	12 January 2012	(Note 1)	6,280,000 (L)	3.57	0.084%
		27 August 2015	(Note 2)	1,800,000 (L)	4.04	0.024%
		Total:		8,080,000 (L)		0.108%
SUM Pui Ying	Beneficial owner	12 January 2012	(Note 1)	2,330,000 (L)	3.57	0.031%
		27 August 2015	(Note 2)	800,000 (L)	4.04	0.011%
		Total:		3,130,000 (L)		0.042%
CUI Yueming	Beneficial owner	12 January 2012	(Note 1)	200,000 (L)	3.57	0.003%
		27 August 2015	(Note 2)	450,000 (L)	4.04	0.006%
		Total:		650,000 (L)		0.009%
LI Hongbo	Beneficial owner	27 August 2015	(Note 2)	700,000 (L)	4.04	0.009%

Notes:

1. Exercisable from 12 January 2013 to 11 January 2017.
2. Exercisable from 27 August 2016 to 26 August 2020.
3. All the above share options of Sino-Ocean Land granted are exercisable within a five-year period in which 40% of the options become exercisable 1 year from the grant date; 70% of the options become exercisable 2 years from the grant date; and all options become exercisable 3 years from the grant date.
4. The letter "L" denotes a long position in the shares in Sino-Ocean Land.

As at 31 December 2015, save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

At an extraordinary general meeting (the “**EGM**”) of the Company held on 23 June 2011, a share option scheme (the “**Share Option Scheme**”) of the Company was approved by the shareholders of the Company. Subject to early termination by the Company in its general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date of adoption of the Share Option Scheme (which was in our case 23 June 2011) and will remain in force until 22 June 2021.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the employees (whether full-time or part-time) of each member of the Group (the “**Participants**”) and for such other purposes as the Board may approve from time to time. The Board may from time to time grant options under the Share Option Scheme to the Participants to subscribe for new Shares. In determining the basis of eligibility of each Participant, the Board may have absolute discretion to determine whether or not one falls within the meaning of Participants and would take into account such factors as it considers appropriate.

As at the date of this Directors' Report, the aggregate number of Shares subject to outstanding options granted under the Share Option Scheme comprise 37,910,000 Shares, and the Company may further grant share options under the Share Option Scheme to subscribe for 39,550,000 Shares, representing approximately 8.77% of the total issued Shares of the Company as at the date of this Directors' Report.

Certain principal terms of the Share Option Scheme are summarised as follows:

Unless there is prior approval from the Company's shareholders, the total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period shall not exceed 1% of the issued Shares. Where any further grant of options to a Participant would result in excess of such limit, such further grant must be subject to the approval of the Company's shareholders at general meeting with such Participant and his close associates abstaining from voting.

Directors' Report

All offers of the share options under the Share Option Scheme shall remain open for acceptance by the Participants concerned for a period of not less than 10 business days from the date of offer of the option (the “**Offer Date**”), and acceptance of such offers shall be accompanied by a payment of HK\$1 to the Company within the aforesaid 10 business-day period as consideration for the grant of such option. Options may be exercised by the Participants at any time during a period to be notified by the Board to each grantee at the time of offer of the share options which period shall not be more than 10 years from the date of grant of the options. Unless otherwise determined by the Board, there is no general requirement on the minimum period for which an option must be held before the option can be exercised.

The subscription price in respect of each Share issued pursuant to the exercise of options granted under the Share Option Scheme shall be a price solely determined by the Board and notified to the Participants and shall be at least the higher of (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the Offer Date, which must be a business day; or (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the Offer Date.

Details of share options movements under the Share Option Scheme during the Year were summarised as follows:

Date of grant	Exercise price per Share HK\$	Number of Shares over which options are exercisable					Balance as at 31 December 2015	Exercise period	
		Balance as at 1 January 2015	Granted during the Year (Note 2)	Exercised during the Year (Note 3)	Lapsed during the Year	Cancelled during the Year			
Directors									
LI Ming	9 August 2013	0.96	4,000,000 (L)	—	—	—	—	4,000,000 (L)	9 August 2013 – 22 June 2021
SUM Pui Ying	26 August 2011	1.40	2,000,000 (L)	—	—	—	—	2,000,000 (L)	26 August 2011 – 22 June 2021
	9 August 2013	0.96	16,000,000 (L) (Note 1)	—	—	—	—	16,000,000 (L) (Note 1)	9 August 2013 – 22 June 2021
LI Zhenyu (resigned on 25 April 2015)	26 August 2011	1.40	4,000,000 (L)	—	—	4,000,000 (L)	—	—	26 August 2011 – 22 June 2021
	9 August 2013	0.96	3,000,000 (L)	—	1,000,000 (L)	2,000,000 (L)	—	—	9 August 2013 – 22 June 2021
CUI Yueming (appointed on 25 April 2015)	9 March 2015	1.27	—	1,000,000 (L)	210,000 (L)	—	—	790,000 (L)	9 March 2015 – 22 June 2021

Directors' Report

	Date of grant	Exercise price per Share HK\$	Number of Shares over which options are exercisable					Balance as at 31 December 2015	Exercise period
			Balance as at 1 January 2015	Granted during the Year (Note 2)	Exercised during the Year (Note 3)	Lapsed during the Year	Cancelled during the Year		
LAI Kwok Hung, Alex	9 August 2013	0.96	3,000,000 (L)	—	—	—	—	3,000,000 (L)	9 August 2013 – 22 June 2021
	9 March 2015	1.27	—	500,000 (L)	—	—	—	500,000 (L)	9 March 2015 – 22 June 2021
LI Hongbo	9 August 2013	0.96	2,000,000 (L)	—	1,000,000 (L)	—	—	1,000,000 (L)	9 August 2013 – 22 June 2021
	9 March 2015	1.27	—	500,000 (L)	—	—	—	500,000 (L)	9 March 2015 – 22 June 2021
Employees of the Group	26 August 2011	1.40	1,900,000 (L)	—	—	600,000 (L)	—	1,300,000 (L)	26 August 2011 – 22 June 2021
	9 August 2013	0.96	6,500,000 (L)	—	680,000 (L)	—	—	5,820,000 (L)	9 August 2013 – 22 June 2021
	9 March 2015	1.27	—	3,000,000 (L)	—	—	—	3,000,000 (L)	9 March 2015 – 22 June 2021
Total			42,400,000 (L)	5,000,000 (L)	2,890,000 (L)	6,600,000 (L)	—	37,910,000 (L)	

Notes:

- These share options were granted to Mr. SUM Pui Ying pursuant to the terms of a service contract entered into between Mr. SUM Pui Ying and the Company on 9 August 2013. Share options granted to Mr. SUM Pui Ying to subscribe for a total of 4,000,000 Shares had already been vested following the approval of the service contract by shareholders of the Company on 16 September 2013. The share options to subscribe for the remaining 12,000,000 Shares (the "**Remaining Options**") shall be vested on the basis that one third of the Remaining Options will be vested on the first, second and third anniversaries of 9 August 2013 (being the date of commencement of the term of the service contract), such that the Remaining Options will be fully vested on 9 August 2016, provided however that all those Remaining Options, to the extent not yet vested in accordance with the above schedule, shall become vested immediately if (i) the service contract is terminated by the Company without cause by payment of termination compensation to Mr. SUM Pui Ying or (ii) the employment of Mr. SUM Pui Ying under the service contract lapses automatically by reason of his not being re-elected as a Director at any general meeting of the Company. As the first and second anniversaries of 9 August 2013 have already passed, a further 8,000,000 share options have been vested. Therefore, as at 31 December 2015, a total of 12,000,000 share options were vested in Mr. SUM Pui Ying pursuant to the terms of the service contract.
- All these share options were granted on 9 March 2015 (Monday). The closing price of the Shares on 6 March 2015 (Friday) is HK\$1.19 per Share.
- The weighted average closing price of the Shares immediately before the dates on which the above options were exercised is HK\$1.86.

Directors' Report

4. Value of Share Options

The fair value of the share options granted during the year ended 31 December 2015 is estimated at HK\$0.6 per Share using the Binomial model. The inputs into the model were as follows:

Closing Share price at grant date	HK\$1.27
Exercise price	HK\$1.27
Expected volatility	68.17%
Expected life	6.29 years
Risk-free rate	1.45%
Expected dividend yield	2.33%

The underlying expected volatility was determined by reference to historical data, calculated based on the expected life of share options. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations.

The Binomial model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective inputs may materially affect the fair value estimates.

The weighted average fair value of the share options granted during the year ended 31 December 2015 was HK\$3,001,800.

5. The letter "L" denotes a long position in the Shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests in the Securities of the Company and its Associated Corporations" and in the section headed "Share Option Scheme" above:

- (a) at no time during the Year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and
- (b) none of the Directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the Year.

CHANGE IN DIRECTOR'S INFORMATION

Change in information on Directors since the date of the Interim Report 2015 of the Company and up to the date of this annual report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. SUM Pui Ying was appointed as an executive director of Sino-Ocean Land (a company listed on the Stock Exchange) (Stock Code: 3377, a controlling shareholder of the Company) with effect from 18 December 2015.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2015, so far as is known to any Director or chief executive of the Company, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares in respect of equity derivatives of the Company as recorded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of Interest/capacity	Number of Shares/underlying Shares	Approximate percentage of the issued Shares as at 31 December 2015
Sino-Ocean Land	Interest of controlled corporation (Note 2)	1,612,504,625 (L)	357.55%
Shine Wind Development Limited	Interest of controlled corporation (Note 2)	1,612,504,625 (L)	357.55%
Faith Ocean International Limited	Interest of controlled corporation (Note 2)	1,612,504,625 (L)	357.55%
Sino-Ocean Land (Hong Kong) Limited ("SOL HK")	Interest of controlled corporation (Note 2)	1,612,504,625 (L)	357.55%
Grand Beauty Management Limited ("Grand Beauty")	Beneficial owner	312,504,625 (L)	69.29%
	Beneficial owner	1,300,000,000 (L) (Note 1)	288.25%
Total:		1,612,504,625	357.55%

Note:

- These shares represent the 1.3 billion underlying Shares which may be allotted and issued to Grand Beauty, a wholly-owned subsidiary of Sino-Ocean Land, upon exercise in full of the conversion rights attaching to the 1.3 billion non-voting convertible preference shares issued by the Company on 23 December 2014.

Directors' Report

- Grand Beauty was wholly owned by SOL HK. SOL HK was wholly owned by Faith Ocean International Limited which was in turn wholly owned by Shine Wind Development Limited. Shine Wind Development Limited was wholly owned by Sino-Ocean Land. In view of their respective direct or indirect 100% shareholding interest in Grand Beauty, each of SOL HK, Faith Ocean International Limited, Shine Wind Development Limited and Sino-Ocean Land was deemed under the SFO to be interested in the 1,612,504,625 Shares in which Grand Beauty was interested.
- The letter "L" denotes a long position in the Shares.

Save as disclosed herein, as at 31 December 2015, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares in respect of equity derivatives of the Company which had been recorded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the Shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate turnover attributable to the Group's largest customer and five largest customers accounted for approximately 7.53% and 31.69% respectively of the Group's total turnover. The Group's principal businesses are investment in fund platform, fund investment, property investment and securities investment businesses, and so the Group did not have five largest suppliers during the Year.

To the best knowledge of the Directors, none of the Directors, their close associates or any shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued Shares) had any interest in any of the Group's five largest customers.

MANAGEMENT CONTRACTS

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

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

A facility agreement dated 23 January 2014 (as amended and supplemented by a supplemented deed dated 7 January 2015) (the "**Facility Agreement**") was entered into between the Company (as borrower), Sino-Ocean Land (a controlling shareholder of the Company, as guarantor) and DBS Bank Ltd., Hong Kong Branch (as lender), whereby a renewed term loan facility in the principal amount of HK\$500.0 million had been granted to the Company for a term of 36 months after 23 January 2014. Pursuant to the Facility Agreement, each of the Company and Sino-Ocean Land shall ensure that Sino-Ocean Land shall at all times remain the single largest shareholder (direct or indirect) of not less than 30% shareholdings in the Company and maintain control over the Company, and a failure to do so will be deemed an event of default under the Facility Agreement.

CONNECTED TRANSACTIONS

None of the "Related Party Transactions" as disclosed in Note 31 to the consolidated financial statement of the Group constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the aforesaid "Related Party Transactions" constituted connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of bank loans, overdrafts and other borrowings of the Group are set out in Note 23 to the consolidated financial statements of the Group.

SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in Note 33 to the consolidated financial statements of the Group.

CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Year.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the Year.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.



Directors' Report

EMOLUMENT POLICY AND RETIREMENT BENEFITS OF THE GROUP

The emolument policy of the senior employees of the Group is set and recommended by the remuneration committee of the Company (the “**Remuneration Committee**”) to the Board on the basis of the employees’ merit, qualifications and competence.

The emoluments of the Directors are formulated and recommended by the Remuneration Committee to the Board, having regards to the Company’s operating results, individual performance of the Directors and comparable market statistics.

The Company has adopted the Share Option Scheme as an incentive to the Directors and eligible employees of the Group, details of which are set out in the section headed “Share Option Scheme” above.

Details of the Group’s retirement benefit plans are set out in Note 30 to the consolidated financial statements of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules as at the latest practicable date prior to the issue of the annual report of which this Directors’ Report forms part.

AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2012, 2013, 2014 and 2015 were audited by BDO Limited, who would retire at the conclusion of the forthcoming AGM of the Company, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the shareholders at the forthcoming AGM to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board

LAI Kwok Hung, Alex

Executive Director

Hong Kong, 29 February 2016

Independent Auditor's Report



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TO THE MEMBERS OF GEMINI INVESTMENTS (HOLDINGS) LIMITED

(盛洋投資(控股)有限公司)

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Gemini Investments (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 135, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong, 29 February 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Sales proceeds from disposal of financial instruments held for trading	4	736,687	702,869
Turnover	5	22,633	91,915
Changes in inventories of gold bullions		—	(56,790)
Other income	6	15,776	2,329
Employee costs		(23,350)	(12,631)
Share-based compensation	7	(5,264)	(5,062)
Depreciation		(1,785)	(2,246)
Other expenses		(36,650)	(107,389)
(Loss)/gain arising from changes in fair value of financial instruments held for trading		(40,111)	9,670
Gain arising from changes in fair value of investment properties	15	9,728	3,576
Gain on disposal of available-for-sale investment		5,084	—
Share of results of joint ventures	17	(988,290)	(30,173)
Finance costs	8	(90,780)	(37,937)
Loss before income tax	9	(1,133,009)	(144,738)
Income tax	10	(2,238)	(100)
Loss for the year		(1,135,247)	(144,838)
Loss for the year attributable to:			
Owners of the Company		(1,135,247)	(144,838)
Losses per share for loss attributable to owners of the Company	13		
— basic (HK dollars)		(2.52)	(0.32)
— diluted (HK dollars)		N/A	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

		2015	2014
	Note	HK\$'000	HK\$'000
Loss for the year		(1,135,247)	(144,838)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
— Exchange differences arising on translation of foreign operations		(967)	76
— Change in fair value of available-for-sale investments		(6,505)	(22,101)
— Share of other comprehensive income of joint ventures	17	(61,344)	—
Other comprehensive income for the year		(68,816)	(22,025)
Total comprehensive income for the year		(1,204,063)	(166,863)
Total comprehensive income attributable to:			
Owners of the Company		(1,204,063)	(166,863)

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Investment properties	15	528,275	518,694
Property, plant and equipment	16	3,384	2,905
Interests in joint ventures	17	2,167,916	1,772,482
Available-for-sale investments	18	2,207,382	906,683
Prepayment for subscription of available-for-sale investment	18(b)(iv)	—	403,578
Loan receivables	19	573,504	—
		5,480,461	3,604,342
Current assets			
Deposits, prepayments and other receivables		14,059	7,985
Loan receivables	19	26,393	—
Amount due from immediate holding company	22	—	2,910
Financial instruments held for trading	20	155,825	114,711
Short-term bank deposits	21	214,576	94,737
Bank balances and cash	21	636,918	2,063,126
		1,047,771	2,283,469
Current liabilities			
Other payables and accrued charges		39,178	57,938
Amount due to a fellow subsidiary	22	65,880	—
Taxation payable		102	212
Borrowings	23	863,333	44
		968,493	58,194
Net current assets		79,278	2,225,275
Total assets less current liabilities		5,559,739	5,829,617

Consolidated Statement of Financial Position

As at 31 December 2015

		2015	2014
	Notes	HK\$'000	HK\$'000
Capital and reserves			
Share capital	24	184,881	180,658
Reserves	25	3,771,465	4,126,388
Total equity		3,956,346	4,307,046
Non-current Liabilities			
Borrowings	23	1,601,625	1,522,571
Deferred tax liabilities	27	1,768	—
		1,603,393	1,522,571
Total equity and non-current liabilities		5,559,739	5,829,617

The financial statement on pages 53 to 135 were approved and authorised for issue by the board of directors of the Company on 29 February 2016 and are signed on its behalf by

Sum Pui Ying
Director

Lai Kwok Hung, Alex
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital	Share premium	Convertible preference shares reserve	Capital contribution	Share option reserve	Available-for-sale financial assets reserve	Translation reserve	Retained profits/(Accumulated losses)	Attributable to owners of the Company
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2014	22,275	153,728	—	—	19,521	9,868	13,931	325,282	544,605
Transition to no-par value regime on 3 March 2014 (Note 24)	153,728	(153,728)	—	—	—	—	—	—	—
Other comprehensive income									
— Change in fair value of available-for-sale investments	—	—	—	—	—	(22,101)	—	—	(22,101)
— Exchange difference arising on translation of foreign operations	—	—	—	—	—	—	76	—	76
Loss for the year	—	—	—	—	—	—	—	(144,838)	(144,838)
Total comprehensive income for the year	—	—	—	—	—	(22,101)	76	(144,838)	(166,863)
Issue of convertible preference shares (Note 26)	—	—	3,898,698	—	—	—	—	—	3,898,698
Share-based compensation (Note 7)	—	—	—	—	5,062	—	—	—	5,062
Exercise of share options	4,655	—	—	—	(1,411)	—	—	—	3,244
Interest waiver granted by parent (Note 23(e))	—	—	—	22,300	—	—	—	—	22,300
Balance at 31 December 2014	180,658	—	3,898,698	22,300	23,172	(12,233)	14,007	180,444	4,307,046
Other comprehensive income									
— Change in fair value of available-for-sale investments	—	—	—	—	—	(6,505)	—	—	(6,505)
— Exchange difference arising on translation of foreign operations	—	—	—	—	—	—	(967)	—	(967)
— Share of other comprehensive income of joint ventures	—	—	—	—	—	—	(61,344)	—	(61,344)
Loss for the year	—	—	—	—	—	—	—	(1,135,247)	(1,135,247)
Total comprehensive income for the year	—	—	—	—	—	(6,505)	(62,311)	(1,135,247)	(1,204,063)
Share-based compensation (Note 7)	—	—	—	—	5,264	—	—	—	5,264
Exercise of share options	4,223	—	—	—	(1,384)	—	—	—	2,839
Vested share options forfeited	—	—	—	—	(3,613)	—	—	3,613	—
Capital contribution through borrowings from parent (Note 23(f))	—	—	—	845,260	—	—	—	—	845,260
Balance at 31 December 2015	184,881	—	3,898,698	867,560	23,439	(18,738)	(48,304)	(951,190)	3,956,346

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015	2014
	HK\$'000	HK\$'000
Cash flows from operating activities		
Loss before income tax	(1,133,009)	(144,738)
Adjustments for:		
Depreciation	1,785	2,246
Loss/(gain) arising from changes in fair value of financial instruments held for trading	40,111	(9,670)
Share-based compensation	5,264	5,062
Share of results of joint ventures	988,290	30,173
Gain arising from changes in fair value of investment properties	(9,728)	(3,576)
Property, plant and equipment written off	—	245
Finance costs	90,780	37,937
Interest income from bank deposits	(2,245)	(2,269)
Other interest income	(13,447)	—
Gain on disposal of available-for-sale investment	(5,084)	—
Operating loss before working capital changes	(37,283)	(84,590)
Decrease/(increase) in deposits and prepayments	4,401	(5,862)
Decrease/(increase) in amount due from immediate holding company	2,910	(2,910)
(Increase)/decrease in financial instruments held for trading	(81,225)	50,173
Decrease in other investment	—	25,026
(Decrease)/increase in other payables and accrued charges	(35,561)	29,313
Cash (used in)/generated from operations	(146,758)	11,150
Income tax paid	(580)	(3,904)
Net cash (used in)/generated from operating activities	(147,338)	7,246

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015	2014
	HK\$'000	HK\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,269)	(1,187)
Consideration paid for acquiring investment properties	—	(197,308)
Repayment from a joint venture	—	674
Acquisition of available-for-sale investments	(929,976)	(81,111)
Prepayment for subscription of available-for-sale investments	—	(403,578)
Redemption of available-for-sale investments	—	50,000
Capital contributions to joint ventures	(1,441,267)	(1,799,545)
Distribution from a joint venture	10,150	—
Loans advanced to investee, trustee, joint venture and member of a joint venture	(599,897)	—
Proceeds from disposal of available-for-sale investment	31,333	—
Interest received	5,217	2,269
Net cash used in investing activities	(2,926,709)	(2,429,786)
Cash flows from financing activities		
New loans raised	2,744,135	29,620
Repayment of borrowings	(1,000,000)	(50,876)
Repayment of obligation under finance lease	(46)	(44)
Interest paid	(42,694)	(15,637)
Advance from a fellow subsidiary	65,880	—
Net proceeds from issue of convertible preference shares	—	3,898,698
Proceeds from exercise of share options	2,839	3,244
Net cash generated from financing activities	1,770,114	3,865,005
Net (decrease)/increase in cash and cash equivalents	(1,303,933)	1,442,465
Cash and cash equivalents at beginning of the year	2,157,863	715,343
Effect of foreign exchange rate changes	(2,436)	55
Cash and cash equivalents at end of the year	851,494	2,157,863
Analysis of the balances of cash and cash equivalents		
Short-term bank deposits	214,576	94,737
Bank balances and cash	636,918	2,063,126
	851,494	2,157,863

Notes to the Financial Statements

For the year ended 31 December 2015

1. GENERAL

Gemini Investments (Holdings) Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent is Grand Beauty Management Limited (“Grand Beauty”) (incorporated in British Virgin Islands) and its ultimate parent is Sino-Ocean Land Holdings Limited (incorporated in Hong Kong and listed on the Stock Exchange). The addresses of its registered office and principal place of business of the Company are disclosed in the section of Corporate Information of the annual report.

For the better understanding of the financial performance achieved by the Company and its subsidiaries (collectively referred to as the “Group”), the directors of the Company disclosed the sales proceeds of the financial instruments held for trading in the consolidated income statement, although such disclosure is not required under Hong Kong Accounting Standard I (Revised) “Presentation of Financial Statements”.

The Company acts as an investment holding company. The principal activities of its subsidiaries and joint ventures are set out in Notes 33 and 17 respectively.

The financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs – effective on 1 January 2015

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

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

Notes to the Financial Statements

For the year ended 31 December 2015

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

(b) New/revised HKFRSs that have been issued but are not yet effective

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

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 12 and HKAS 28	
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective date is deferred

Notes to the Financial Statements

For the year ended 31 December 2015

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

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Except as explained below, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the financial statements.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Notes to the Financial Statements

For the year ended 31 December 2015

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

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Notes to the Financial Statements

For the year ended 31 December 2015

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

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1 : Identify the contract(s) with a customer
- Step 2 : Identify the performance obligations in the contract
- Step 3 : Determine the transaction price
- Step 4 : Allocate the transaction price to each performance obligation
- Step 5 : Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap.622, in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance. However the new Companies Ordinance, Cap.622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements on pages 53 to 135 have been prepared in accordance with all applicable, HKFRSs, Hong Kong Accounting Standards and Interpretations and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, that are measured at fair values, as explained in the accounting policies set out below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 36.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represent amounts receivable for services provided in the normal course of business, net of discounts.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Fund management services income is recognised in the accounting period in which the services rendered, by reference to stage of completion of specific transaction and assessed on the basis of actual services provided as a proportion of the total services to be provided.

Dividend income from investments including financial asset at fair value through profit or loss is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and that are not occupied by the Group.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

(e) Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residue value over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture, fixtures and equipment	20% to 33 $\frac{1}{3}$ %
Computer equipment	33 $\frac{1}{3}$ %
Leasehold improvement	10% – 60%
Motor vehicle	12 $\frac{1}{2}$ %

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

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

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Subsidiaries

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

Investments in subsidiaries are included in the Company's statement of financial position at cost (including deemed capital contribution), less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(g) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements either as

- Joint ventures: where the Group has rights to the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Joint arrangements (Continued)

The Group accounts for its interests in joint ventures using the equity method whereby they are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures. When the Group's share of losses of a joint venture equals or exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(h) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard to the extent of the decrease previously charged.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

The Group's financial assets are classified into FVTPL, loans and receivables and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL consist of financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is presented as gain (loss) arising from changes in fair value of financial instruments held for trading line item in the consolidated income statement. Fair value is determined in accordance with the market bid price.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from subsidiaries, joint ventures and immediate holding company, other receivables, promissory note receivables, loan receivables, short-term bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated the unlisted equity investments and unlisted investments of which the Group has no power to govern or participate the financial and operating policies of the invested entities so as to obtain benefits from its activities, and does not intend to trade for short-term profit as available-for-sale investments.

Subsequent to initial recognition, available-for sale financial investments are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses, which are recognised in profit or loss.

For available-for-sale financial investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For available-for-sale investment that is carried at fair value, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, amounts due from subsidiaries, immediate holding company and joint ventures, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the carrying amount is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(ii) Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables and accrued charges, amounts due to subsidiaries and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Hong Kong Companies Ordinance, Cap.622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s.148 and s.149 of the Ordinance.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(ii) Financial liabilities and equity instruments (Continued)

Dividend

Dividend payable is recognised when the dividend is appropriately authorised and is no longer at the discretion of the Company, which is the date when the declaration of the dividend is approved by the shareholders or when the dividend is declared.

For distribution of non-cash assets, dividend payable is measured at the fair value of the assets to be distributed. On the settlement of dividend payable, any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable is recognised in profit or loss.

(iii) Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Share-based payment transactions

Equity-settled share-based payment transactions

The Group operates equity-settled share-based compensation plans for remuneration of its directors and employees.

All services received in exchange for the grant of any share-based compensation are measured at their fair values. The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

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

(k) Taxation

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation (Continued)

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the end of reporting period. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(l) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms of the relevant lease.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(n) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(o) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rate of exchanges prevailing on the dates of the transactions at the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit and loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

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

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a joint venture that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

(p) Provision and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and other defined contribution retirement schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

(r) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

For the year ended 31 December 2015

4. SALES PROCEEDS FROM DISPOSAL OF FINANCIAL INSTRUMENTS HELD FOR TRADING

The sales proceeds of the financial instruments held for trading by the Group (Note 20) disposed of during the years ended 31 December 2015 and 2014 amounted to approximately HK\$736,687,000 and HK\$702,869,000 respectively.

The changes in fair value of financial instruments held for trading by the Group throughout the years of 2015 and 2014, including gain or loss arising from disposal of those financial instruments and unrealised gain or loss from changes in fair value of those financial instruments, are presented as "Loss/gain arising from changes in fair value of financial instruments held for trading" in the consolidated income statement in accordance with the Group's accounting policies which comply with Hong Kong Accounting Standard 39.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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

1. Property investments — rental income from leasing of office properties and residential condominium.
2. Securities and other investments — investing in various securities and generating investment income.
3. Fund investments — investing in various investment funds and generating investment income.
4. Investment in fund platform (previously classified as Fund management) — provision of management and administration services for property development project and investing in real estate fund platform.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Notes to the Financial Statements

For the year ended 31 December 2015

5. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results from operations by reportable and operating segment.

For the year ended 31 December 2015

	Property investments	Securities and other investments	Fund investments	Investment in fund platform	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	18,204	739,557	–	1,559	759,320
Less: Sales proceeds from disposal of financial instruments held for trading	–	736,687	–	–	736,687
Turnover as presented in consolidated income statement	18,204	2,870	–	1,559	22,633
Segment results	23,155	(35,028)	(3,618)	(979,828)	(995,319)
Interest income from bank deposits					2,245
Unallocated corporate expenses					(49,155)
Finance costs					(90,780)
Loss before income tax					(1,133,009)

Notes to the Financial Statements

For the year ended 31 December 2015

5. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2014

	Property investments	Securities and other investments	Fund investments	Investment in fund platform	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	13,046	764,842	—	16,896	794,784
Less: Sales proceeds from disposal of financial instruments held for trading	—	702,869	—	—	702,869
Turnover as presented in consolidated income statement	13,046	61,973	—	16,896	91,915
Segment results	8,792	13,806	(110)	(68,015)	(45,527)
Interest income from bank deposits					2,269
Unallocated corporate expenses					(63,543)
Finance costs					(37,937)
Loss before income tax					(144,738)

Except for the inclusion of sales proceeds from disposal of financial instruments held for trading in the segment revenue of securities and other investments reported to the chief operating decision makers, the accounting policies of the operating segments under HKFRS 8 are the same as the Group's accounting policies.

Segment result represents the profit or loss by each segment without allocation of interest income from bank deposits, unallocated corporate expenses (including central administration costs, share-based compensation and directors' remuneration) and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

Notes to the Financial Statements

For the year ended 31 December 2015

5. SEGMENT INFORMATION (Continued)

(a) Segment assets and liabilities

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

	2015	2014
	HK\$'000	HK\$'000
Assets		
Segment assets		
— Property investments	537,107	522,747
— Securities and other investments	711,734	586,358
— Fund investments	2,306,177	1,232,910
— Investment in fund platform	2,577,694	1,772,497
Unallocated assets	395,520	1,773,299
Consolidated total assets	6,528,232	5,887,811
Liabilities		
Segment liabilities		
— Property investments	4,593	3,885
— Securities and other investments	5,401	3,908
— Fund investments	48	40
— Investment in fund platform	14,739	—
Unallocated liabilities	2,547,105	1,572,932
Consolidated total liabilities	2,571,886	1,580,765

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, amount due from immediate holding company, short-term bank deposits, unallocated other receivables, bank balances and cash; and
- all liabilities are allocated to operating segments other than taxation payable, borrowings, amount due to a fellow subsidiary and unallocated other payables and deferred tax liabilities.

Notes to the Financial Statements

For the year ended 31 December 2015

5. SEGMENT INFORMATION (Continued)

(a) Segment assets and liabilities (Continued)

For the year ended 31 December 2015

Other segment information

	Property investments	Securities and other investments	Fund investments	Investment in fund platform	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Interests in joint ventures	—	—	—	2,167,916	2,167,916
Gain arising from changes in fair value of investment properties	9,728	—	—	—	9,728
Loss arising from changes in fair value of financial instruments held for trading	—	(40,111)	—	—	(40,111)
Gain on disposal of available-for-sale investment	—	5,084	—	—	5,084
Share of results of joint ventures	—	—	—	(988,290)	(988,290)

For the year ended 31 December 2014

Other segment information

	Property investments	Securities and other investments	Fund investments	Investment in fund platform	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Capital expenditure	197,308	—	—	—	197,308
Interests in joint ventures	—	—	—	1,772,482	1,772,482
Gain arising from changes in fair value of investment properties	3,576	—	—	—	3,576
Gain arising from changes in fair value of financial instruments held for trading	—	9,670	—	—	9,670
Share of results of joint ventures	—	—	—	(30,173)	(30,173)

Notes to the Financial Statements

For the year ended 31 December 2015

5. SEGMENT INFORMATION (Continued)

(b) Geographical information

The Group's operations are located in Hong Kong (place of domicile), the United States (the "US") and the People's Republic of China (the "PRC").

The Group's turnover from external customers and its non-current assets, other than financial instruments and interests in joint ventures, by geographical location of the assets regarding its operations are detailed below:

	Turnover from external customers		Non-current assets other than financial instruments, and interests in joint ventures	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	10,057	67,945	328,539	321,683
The US	8,881	3,287	203,093	199,734
The PRC	1,559	20,323	27	182
Others	2,136	360	—	—
	22,633	91,915	531,659	521,599

(c) Information about major customers

During the years ended 31 December 2014 and 2015, no revenue from individual customer contributed over 10% of the total revenue of the Group.

6. OTHER INCOME

	2015	2014
	HK\$'000	HK\$'000
Bank interest income	2,245	2,269
Other interest income	13,447	—
Others	84	60
	15,776	2,329

Notes to the Financial Statements

For the year ended 31 December 2015

7. SHARE-BASED COMPENSATION

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 23 June 2011 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 22 June 2021. Under the Scheme, the directors of the Company may grant share options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Details of specific categories of options are as follows:

Date of grant	Exercisable period	Exercise price
26 August 2011	26 August 2011 to 22 June 2021	HK\$1.40
9 August 2013	9 August 2013 to 22 June 2021	HK\$0.96
9 August 2013*	16 September 2013 to 22 June 2021	HK\$0.96
9 March 2015	9 March 2015 to 22 June 2021	HK\$1.27

* The grant of 16,000,000 share options to Mr. Sum Pui Ying was approved by the Company's shareholders at the extraordinary general meeting held on 16 September 2013.

At the extraordinary general meeting on held 23 June 2011, the total number of shares in respect of which share options were approved to be granted under the Scheme shall not exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Such 10% equivalent to 44,550,000 shares of the Company's issued share capital. Since then, the Company has granted 9,600,000 share options under the Scheme on 26 August 2011. These share options were vested on the same date and their fair value was approximately HK\$5,579,000.

On 9 August 2013, the Company proposed to grant 35,400,000 share options under the Scheme (the "Options") to executive and non-executive directors and certain other employees of the Group.

Save for Options granted to Mr. Sum Pui Ying, one of the executive directors, all the other Options are not subject to vesting conditions. The grant of Options to Mr. Sum Pui Ying was approved by the Company's shareholders at the extraordinary general meeting held on 16 September 2013.

Notes to the Financial Statements

For the year ended 31 December 2015

7. SHARE-BASED COMPENSATION (*Continued*)

35,400,000 share options were granted on 9 August 2013 of which 19,400,000 share options and 4,000,000 share options were vested and exercisable on 9 August 2013 and 16 September 2013 respectively. Another 4,000,000 share options which were granted on 9 August 2013 were vested and exercisable on 9 August 2014. The fair value of the Options granted was approximately HK\$21,993,000 in aggregate.

A further of 4,000,000 share options which were granted on 9 August 2013 were vested and exercisable on 9 August 2015. A total of 12,000,000 share options had been vested in Mr. Sum Pui Ying as at 31 December 2015 (2014: 8,000,000 share options).

On 9 March 2015, the Company proposed to grant 5,000,000 share options under the Scheme to executive and non-executive directors and certain other employees of the Group. These share options were vested on the same date and their fair value was approximately HK\$3,002,000. Particulars of the share options granted under the Scheme were set forth in the announcement of the Company dated 9 March 2015.

The Group and the Company recognised share-based compensation of approximately HK\$5,264,000 and approximately HK\$5,062,000 for the years ended 31 December 2015 and 2014 respectively.

At 31 December 2015, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 37,910,000 (2014: 42,400,000), representing approximately 8.41% (2014: 9.46%) of the shares of the Company in issue at that date.

Share options may be exercised at any time from the date of grant of the share options to 22 June 2021. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

Notes to the Financial Statements

For the year ended 31 December 2015

7. SHARE-BASED COMPENSATION (Continued)

Movement in share options are as follows:

	2015		2014	
	Number	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$
Outstanding at 1 January	42,400,000	1.04	45,000,000	1.05
Granted	5,000,000	—	—	—
Exercised	(2,890,000)	0.98	(2,600,000)	1.25
Forfeited	(6,600,000)	—	—	—
Outstanding at 31 December	37,910,000	1.04	42,400,000	1.04
Exercisable at 31 December	33,910,000	1.05	34,400,000	1.06

The weighted average remaining contractual life of the share options outstanding at 31 December 2015 was approximately 5.48 years (2014: 6.48 years).

The weighted average market price at the date of exercise for shares options exercised during the year was HK\$1.86 (2014: HK\$1.69).

The fair value was calculated using the Binomial model. The inputs into the model were as follows:

Grant /Approve on	9 March 2015	9 August 2013 & 16 September 2013	26 August 2011
Share price at grant date	HK\$1.27	HK\$0.96 and HK\$1.36	HK\$1.40
Exercise price	HK\$1.27	HK\$0.96	HK\$1.40
Expected volatility	68.17%	59.36%-62.36%	51.33%
Expected life	6.29 years	7.87 and 7.77 years	9.82 years
Risk-free rate	1.45%	1.823%-1.851%	1.73%
Expected dividend yield	2.33%	0%	3.64%

The underlying expected volatility was determined by reference to historical data, calculated based on the expected life of share options. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations.

Notes to the Financial Statements

For the year ended 31 December 2015

8. FINANCE COSTS

	2015	2014
	HK\$'000	HK\$'000
Interest on:		
Bank and other borrowings		
— wholly repayable within five years	19,513	12,322
— wholly repayable over five years	25,775	22,300
Imputed interest expense on other borrowings (Notes 23 (b), (d) & (e))	43,236	—
Others	2,256	3,315
	90,780	37,937

9. LOSS BEFORE INCOME TAX

	2015	2014
	HK\$'000	HK\$'000
Loss before income tax has been arrived at:		
<i>after charging:</i>		
Auditor's remuneration		
— current year	1,989	1,296
— underprovision in the prior year	198	92
	2,187	1,388
Net foreign exchange loss	16,202	25,764
Rental payments in respect of properties under operating leases	4,542	5,102
Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments)	838	447
<i>and after crediting:</i>		
Interest income from investments	101	84
Dividend income	2,870	3,651
Gross rental income from investment properties	18,204	13,046
Less: direct operating expenses arising from investment properties that generated rental income during the year	(4,045)	(1,635)
	14,159	11,411

Notes to the Financial Statements

For the year ended 31 December 2015

10. INCOME TAX

	2015	2014
	HK\$'000	HK\$'000
The taxation attributable to the Group's operation comprises:		
Current tax		
Hong Kong Profits Tax	550	448
Over provision in prior years		
Hong Kong Profits Tax	(80)	(38)
Income tax outside Hong Kong	—	(310)
	(80)	(348)
Deferred tax (Note 27)	1,768	—
Income tax	2,238	100

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Overseas tax is calculated at the rates applicable in the respective jurisdictions in which the Group operates.

Income tax for the year can be reconciled to the loss before income tax per the consolidated income statement as follows:

	2015	2014
	HK\$'000	HK\$'000
Loss before income tax	(1,133,009)	(144,738)
Tax calculated at the income tax rate applicable to losses in the respective jurisdictions	(182,118)	(21,024)
Tax effect of expenses not deductible for tax purposes	21,855	32,570
Tax effect of income not taxable for tax purposes	(5,632)	(15,233)
Tax effect of share of results of joint ventures	159,896	4,978
Tax effect of unrecognised tax losses	7,985	216
Tax effect on temporary differences not recognised	(1,431)	(1,064)
Tax effect on tax losses being utilised	(5)	—
Over-provision in respect in prior years	(80)	(348)
Withholding tax	1,768	—
Others	—	5
Income tax expense	2,238	100

Notes to the Financial Statements

For the year ended 31 December 2015

11. DIRECTORS' EMOLUMENTS

Directors emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) (the Ordinance) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) (the Regulation) is as follows:

	Li Ming	Sum Pui Ying	*Li Zhenyu	Lai Kwok Hung, Alex	Li Hongbo	Law Tze Lun	Lo Woon Bor, Henry	^Δ Zheng Yun	[#] Cui Yueming	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2015										
Fees	–	180	57	180	180	180	180	180	123	1,260
Other emoluments										
– Salaries and other benefits	29	3,814	435	1,084	29	29	29	29	20	5,498
– Share-based compensation (Note a)	–	2,262	–	317	317	–	–	–	592	3,488
– Contributions to retirement benefits schemes	–	208	–	105	–	–	–	–	–	313
Total emoluments	29	6,464	492	1,686	526	209	209	209	735	10,559
2014										
Fees	–	3,000	180	180	180	180	180	180	–	4,080
Other emoluments										
– Salaries and other benefits	21	21	621	940	21	21	21	21	–	1,687
– Share-based compensation (Note a)	–	5,062	–	–	–	–	–	–	–	5,062
– Contributions to retirement benefits schemes	–	–	–	91	–	–	–	–	–	91
Total emoluments	21	8,083	801	1,211	201	201	201	201	–	10,920

* resigned on 25 April 2015

appointed on 25 April 2015

Δ resigned on 25 January 2016

Comparative information has been prepared with reference to the provisions in the Ordinance and the Regulation. Certain information has been restated due to the requirements in the Ordinance and the Regulation are not the same as the Hong Kong Companies Ordinance, Cap.32.

Notes to the Financial Statements

For the year ended 31 December 2015

11. DIRECTORS' EMOLUMENTS (Continued)

Notes:

- a) These amounts represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the accounting policies for share-based payments and further details of the options granted as set out in Note 7 to the financial statements.
- b) No directors waived any emoluments for each of the years ended 31 December 2014 and 2015.

No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during each of the years ended 31 December 2014 and 2015.

12. FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the five highest paid individuals for the year include two (2014: three) directors whose emoluments are reflected in Note 11. The emoluments of the remaining three (2014: two) highest paid individuals are as follows:

	2015	2014
	HK\$'000	HK\$'000
Salaries and other benefits	2,866	1,315
Share-based compensation	296	—
Contributions to retirement benefits schemes	202	132
	3,364	1,447

Their emoluments were within the following band:

	2015	2014
	No. of employees	No. of employees
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	2	—

Notes to the Financial Statements

For the year ended 31 December 2015

12. FIVE HIGHEST PAID INDIVIDUALS (Continued)

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

	2015	2014
	No. of individuals	No. of individuals
Nil to HK\$1,000,000	7	6
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$6,000,001 to HK\$6,500,000	1	—
HK\$8,000,001 to HK\$8,500,000	—	1

13. LOSSES PER SHARE

The calculation of the basic losses per share attributable to owners of the Company is based on the loss for the year of HK\$1,135,247,000 (2014: HK\$144,838,000) and the weighted average number of ordinary shares of 449,825,753 (2014: 445,913,151 ordinary shares) in issue during the year.

No adjustment has been made to basis losses per share amount presented for the years ended 31 December 2015 and 31 December 2014 in respect of a dilution as the impact of share options and convertible preference shares outstanding had an anti-dilutive on the basis losses per share amount presented.

14. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2014 and 2015, nor has any dividend been proposed since the end of the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2015

15. INVESTMENT PROPERTIES

The Group's investment properties comprise:

	2015	2014
	HK\$'000	HK\$'000
Properties in Hong Kong:		
— Medium-term lease	325,200	318,960
Properties in US:		
— Freehold	203,075	199,734
	528,275	518,694

Notes:

- (a) All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties as at 31 December 2015 and 2014 have been arrived at on the basis of a valuation carried out on that dates by BMI Appraisals Limited and RHL Appraisals Limited respectively. Both of them are independent qualified professional valuers not connected with the Group. The valuation reports on these properties were signed by the director of BMI Appraisals Limited and RHL Appraisals Limited, the member of the Hong Kong Institute of Surveyors.

The revaluation of investment properties during the current year gave rise to a net gain arising from changes in fair value of HK\$9,728,000 (2014: HK\$3,576,000) which has been recognised in profit or loss. 100% (2014: 97%) of the investment properties of the Group are rented out under operating leases as at 31 December 2015.

- (b) The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2015	2014
	HK\$'000	HK\$'000
Opening balance (level 3 recurring fair value)	518,694	317,700
Additions	—	197,308
Exchange realignment	(147)	110
Gains on revaluation of investment properties	9,728	3,576
Closing balance (level 3 recurring fair value)	528,275	518,694

Notes to the Financial Statements

For the year ended 31 December 2015

15. INVESTMENT PROPERTIES (Continued)

Investment properties situated in Hong Kong were revalued on investment approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in lettable units of the properties as well as other lettings of similar properties in the same location. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusting to take into account the location of the properties.

The fair value of the investment properties located in US were determined using market comparison approach by reference to recent sales price of comparable properties on a price per square feet basis, adjusted for a premium or a discount specific to the quality of the Group's building compared to the recent sales. Higher premium for higher quality buildings will results in a higher fair value measurement.

The significant unobservable inputs into the valuation technique include:

Estimated rental value	Based on the actual view, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties
Discount rate	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows
Premium or discount for quality of properties	Quality of properties, such as location, size, level and condition of the properties

Notes to the Financial Statements

For the year ended 31 December 2015

15. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

31 December 2015

Investment properties	Fair value as at 31 December 2015 HK\$'000	Valuation techniques	Significant unobservable inputs	Range of significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Investment properties situated in Hong Kong	325,200	Investment approach	Estimated rental value	HK\$45 – HK\$55 per month per square feet	The higher the rental value, the higher the fair value
			Discount rate	2.8% – 3.3%	The higher the discount rate, the lower the fair value
Investment properties situated in US	203,075	Direct comparison	Premium or discount quality of properties (e.g. view, level and condition of the properties)	0.3% – 7%	The higher the quality of properties with reference to comparables, the higher the fair value

31 December 2014

Investment properties	Fair value as at 31 December 2014 HK\$'000	Valuation techniques	Significant unobservable inputs	Range of significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Investment properties situated in Hong Kong	318,960	Investment approach	Estimated rental value	HK\$44 – HK\$60 per month per square feet	The higher the rental value, the higher the fair value
			Discount rate	2.5% – 3.3%	The higher the discount rate, the lower the fair value
Investment properties situated in US	199,734	Direct comparison	Premium or discount quality of properties (e.g. view, level and condition of the properties)	0.25% – 5%	The higher the quality of properties with reference to comparables, the higher the fair value

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Notes to the Financial Statements

For the year ended 31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures equipment	Computer equipment	Motor vehicle	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST					
At 1 January 2014	2,418	1,826	534	—	4,778
Exchange realignment	(1)	(1)	—	—	(2)
Additions	218	228	33	708	1,187
Disposal	(880)	—	—	—	(880)
At 31 December 2014	1,755	2,053	567	708	5,083
Exchange realignment	—	(17)	(7)	—	(24)
Additions	1,980	69	220	—	2,269
At 31 December 2015	3,735	2,105	780	708	7,328
DEPRECIATION					
At 1 January 2014	269	88	211	—	568
Exchange realignment	(1)	—	—	—	(1)
Charged for the year	1,420	605	132	89	2,246
Disposal	(635)	—	—	—	(635)
At 31 December 2014	1,053	693	343	89	2,178
Exchange realignment	—	(13)	(6)	—	(19)
Charged for the year	843	696	158	88	1,785
At 31 December 2015	1,896	1,376	495	177	3,944
NET BOOK VALUE					
At 31 December 2015	1,839	729	285	531	3,384
At 31 December 2014	702	1,360	224	619	2,905

Note:

At the end of the reporting period, the net book value of the equipment held under finance lease of the Group was HK\$135,000 (2014: HK\$180,000).

Notes to the Financial Statements

For the year ended 31 December 2015

17. INTERESTS IN JOINT VENTURES

	2015	2014
	HK\$'000	HK\$'000
Share of net assets other than goodwill	2,133,057	1,772,482
Goodwill	34,859	—
At the end of the year	2,167,916	1,772,482

	2015	2014
	HK\$'000	HK\$'000
At the beginning of the year	1,772,482	3,110
Capital contributions	1,455,218	1,799,545
Dividend distribution	(10,150)	—
Share of post-acquisition losses and other comprehensive income	(1,049,634)	(30,173)
At the end of the year	2,167,916	1,772,482

As at 31 December 2015, the Group has interests in the following significant joint ventures:

Name of joint venture	Form of business structure	Country of incorporation	Principal place of operation	Class of shares held	Percentage of ownership interests/ voting rights/ profit share	Principal activities
Sino Prosperity Real Estate Limited (Note (a))	Incorporated	Cayman Islands	PRC	Ordinary	50%	Investment holdings
Sino Prosperity Real Estate Advisor Limited	Incorporated	Cayman Islands	PRC	Ordinary	50%	Investment advisory
Gemini-Rosemont Realty LLC (Note (b))	Limited liability company	The US	The US	Class A membership interests*	45%	Property investment & management
Rosemont WTC Denver GPM LLC (Note (b))	Limited liability company	The US	The US	Membership interests [#]	100%	Property investment & management
Rosemont Diversified Portfolio II LP (Note (b))	Limited Partnership	The US	The US	Limited partnership interests [#]	37.19%	Property investment & management

* Class A membership interests represent the interests have control over the joint venture

[#] Membership interests and limited partnership interests are non-controlling interests

Notes to the Financial Statements

For the year ended 31 December 2015

17. INTERESTS IN JOINT VENTURES (Continued)

Under HKFRS 11, these joint arrangements are classified as joint ventures and have been included in the consolidated financial statements of the Group using the equity method.

Notes:

- (a) On 17 November 2014, the Group entered into an amendment agreement and a subscription agreement, agreed to increase its capital commitment into Sino Prosperity Real Estate Fund L.P. (the "Fund"), a subsidiary of Sino Prosperity Real Estate Limited by US\$250,000,000 and into the Sino Prosperity Real Estate (GP), L.P. ("Fund GP"), another subsidiary of Sino Prosperity Real Estate Limited from US\$1,050,000 to US\$5,000,000, by US\$3,950,000. The increase in capital commitment has been approved by the independent shareholders of the Company at the extraordinary general meeting held on 31 December 2014. Subsequent to the passing of this resolution by the Company shareholders, part of the capital commitment of approximately US\$232,000,000 (equivalent to approximately HK\$ 1,799,545,000) was drawn down on 31 December 2014 for the Fund to complete the acquisition of the entire interest of a company which indirectly holds certain PRC property projects and a business of providing upfitting and decoration services in the PRC. Details of the transactions were set out in the Company's announcement and circular dated 17 November 2014 and 13 December 2014 respectively.

On 7 July 2015, the Group further entered into an amendment agreement and a subscription agreement, agreed to increase its capital commitment in to the Fund and the Fund GP by US\$90,000,000 and US\$1,800,000 respectively. The shareholding structure of the Fund and the Company's economic interest and rights in the Fund immediately following the execution of the amendment agreement and the subscription agreement are remain unchanged. The increase in capital commitment has been approved by Grand Beauty, the parent of the Company through written resolution on the same date. Details of the transactions were set out in the Company's announcement and circular dated 7 July 2015 and 24 July 2015 respectively.

During the year, the Group had made an additional capital contribution of US\$69,159,000 in total (equivalent to approximately HK\$536,004,000), in which a contribution of US\$67,803,000 (equivalent to approximately HK\$525,494,000) was paid to the Fund and the remaining balance of US\$1,356,000 (equivalent to approximately HK\$10,510,000) was paid to the Fund GP.

As at 31 December 2015, the Group has outstanding commitments to make capital contribution to Fund GP and the Fund of approximately US\$895,000 (equivalent to approximately HK\$6,936,000) (31 December 2014: US\$451,000 (equivalent to approximately HK\$3,498,000)) and US\$44,746,000 (equivalent to approximately HK\$346,829,000) (31 December 2014: US\$22,549,000 (equivalent to approximately HK\$174,905,000)) respectively.

No capital was drawn down up to the approval of the financial statements, the recapitalisation of the Fund is for its further expansion in order to capture investment opportunities should they arise.

Notes to the Financial Statements

For the year ended 31 December 2015

17. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

- (b) On 31 December 2014, the Group entered into the purchase, sale and contribution agreement ("Agreement") with Neutron Property Fund Limited ("Property Fund"), Gemini-Rosemont JV Member LLC, Garfield Group Partners LLC and Rosemont Realty, LLC ("Rosemont") to subscribe for 45%, 30%, 18.423%, 5.577% and 1% membership interests respectively in Gemini-Rosemont Realty LLC ("NewSub"), a limited liability company incorporated in the State of Delaware. NewSub shall acquire the businesses, assets and liabilities of Rosemont (excluding certain equity interests owned directly by Rosemont which are not transferred to NewSub) and the limited partnership interests in the limited partnerships of Rosemont (together with a promissory note evidencing a loan advance from Lone Rock Holdings, LLC ("Lone Rock"), one of the controlling shareholders of Rosemont, to Rosemont Dallas NCX LP, a wholly-owned subsidiary of Rosemont) owned by Lone Rock. The consideration is US\$69,152,000 (equivalent to approximately HK\$536,234,000) in which US\$9,598,000 (equivalent to approximately HK\$74,416,000) is the directly attributable costs related to the transaction.

Apart from the subscription of the 45% membership interests in NewSub, the Group agreed to acquire or subscribe 100% membership interests and 37.19% limited partnership interests in Rosemont WTC Denver GPM LLC ("Denver GPM LLC") and Rosemont Diversified Portfolio II LP ("Portfolio II LP") at considerations of US\$15,000,000 (equivalent to HK\$116,319,000) and US\$34,388,000 (equivalent to approximately HK\$266,661,000) respectively. Denver GPM LLC and Portfolio II LP are the syndicated projects under the portfolio of Rosemont (the "Syndicated Projects").

In addition, the Group agreed to provide a working capital facility of US\$10,000,000 to NewSub (Note 19 (a)).

The details as described above represented the transactions contemplated under the Agreement (the "Transactions").

Details of the Transactions were set out in the Company's announcement and circular dated 31 December 2014 and 23 June 2015 respectively.

NewSub was formed under the laws of state of Delaware, domiciled in the US on 22 April 2015. It has no operations until it acquired the businesses, assets and liabilities of Rosemont as explained above. NewSub is primarily engaged in the ownership and the management of commercial office properties after the acquisition.

The Group and Neutron Property hold Class A membership interests of NewSub. Both have collective control over NewSub and decisions on the relevant activities of NewSub require the unanimous consent of the Class A members. Therefore, NewSub is a joint arrangement. As NewSub is a limited liability company, the joint arrangement is classified as joint venture accordingly.

During the year, the Group shared the post-acquisition profit of NewSub amounted to US\$1,359,000 (equivalent to approximately HK\$10,536,000).

Denver GPM LLC, a Delaware limited liability company domiciled in the US, was formed on 16 April 2013 to act as the limited partner of Rosemont WTC Denver GP Member LP ("Member LP"). Member LP, a Delaware partnership domiciled in the US, was formed on 27 March 2013 to invest in companies which acquire, hold, operate, develop, improve, sell and manage investment properties.

Notes to the Financial Statements

For the year ended 31 December 2015

17. INTERESTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Portfolio II LP, a Delaware limited partnership domiciled in the US, was formed on 12 December 2012 to acquire, hold, operate, develop, improve, sell, and otherwise manage investment properties in the US.

On 21 August 2015, the Group acquired the entire membership interests of Denver GPM LLC from Rosemont at a consideration of US\$5,500,000 and contributed additional US\$9,500,000 to Denver GPM LLC. During the year, the Group shared the post-acquisition profit of US\$246,000 (equivalent to approximately HK\$1,915,000) and received the dividend distribution of US\$323,000 (equivalent to approximately HK\$2,502,000).

On 21 August 2015, the Group subscribed approximately 37.19% limited partnership interests in Portfolio II LP at a consideration of US\$34,388,000 (equivalent to approximately HK\$266,661,000). During the year, the Group shared the post-acquisition profit of US\$1,762,000 (equivalent to approximately HK\$13,657,000) and received the dividend distribution of US\$987,000 (equivalent to approximately HK\$7,648,000).

The Transactions were completed on 22 August 2015 and the Group has no outstanding commitment as at 31 December 2015.

As explained above, the Group acquired direct interests in the Syndicated Projects which are controlled by NewSub upon completion of the Transactions. Accordingly, the Syndicated Projects interests are accounted for as part of the Group's interest in NewSub.

Notes to the Financial Statements

For the year ended 31 December 2015

17. INTERESTS IN JOINT VENTURES (*Continued*)

The summarised financial information in respect of those significant joint ventures are as follows:

<i>Sino Prosperity Real Estate Limited</i>	2015	2014
	HK\$'000	HK\$'000
As at 31 December		
Current assets	24,438,218	30,452,104
Non-current assets	407,070	1,535,904
Current liabilities	(17,371,585)	(17,730,768)
Non-current liabilities	(4,869,820)	(10,304,226)
Net assets	2,603,883	3,953,014
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	1,073,461	683,602
Current financial liabilities (excluding trade and other payable)	(1,782,166)	(6,299,680)
Non-current financial liabilities (excluding other payable and provision)	(4,451,550)	(9,803,332)
Year ended 31 December		
Revenues	9,210,544	—
Loss for the year	(2,024,225)	(54,854)
Other comprehensive income	(122,694)	—
Total comprehensive income	(2,146,918)	(54,854)
<i>Included in the above amounts are:</i>		
Depreciation	(3,673)	—
Interest income	9,618	8
Interest expenses	(53,540)	—
Income tax credit	82,854	—

Notes to the Financial Statements

For the year ended 31 December 2015

17. INTERESTS IN JOINT VENTURES *(Continued)*

<i>Sino Prosperity Real Estate Advisor Limited</i>	2015	2014
	HK\$'000	HK\$'000
As at 31 December		
Current assets	5,705	2,505
Non-current assets	157	155
Current liabilities	(10,341)	(2,570)
Net assets	(4,479)	90
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	2,427	2,094
Current financial liabilities (excluding trade and other payable)	(9,929)	(1,924)
Year ended 31 December		
Revenues	—	4,073
Loss for the year	(4,572)	(5,531)
Other comprehensive income	5	39
Total comprehensive income	(4,567)	(5,492)
<i>Included in the above amounts are:</i>		
Depreciation and amortisation	203	214
Interest income	—	2

Notes to the Financial Statements

For the year ended 31 December 2015

17. INTERESTS IN JOINT VENTURES *(Continued)*

Gemini-Rosemont Realty LLC

2015

HK\$'000

As at 31 December

Current assets	1,279,955
Non-current assets	12,294,984
Current liabilities	(1,859,982)
Non-current liabilities	(10,925,311)

Net assets	789,646
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Included in the above amounts are:

Cash and cash equivalents	589,507
Non-current financial liabilities (excluding other payable and provision)	(8,497,393)
Current financial liabilities (excluding trade and other payable)	(1,406,908)

Year ended 31 December

Revenues	671,976
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Profit for the year	13,949
Other comprehensive income	—

Total comprehensive income	13,949
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Included in the above amounts are:

Depreciation and amortisation	(450)
Interest income	1,799
Interest expense	182,703

Notes to the Financial Statements

For the year ended 31 December 2015

18. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK\$'000	HK\$'000
Unlisted equity investments, at cost (Note (a))	107,313	92,893
Unlisted fund investments (Note (b))	2,100,399	814,120
Impairment loss on available-for-sale investments	(330)	(330)
	2,207,382	906,683

Notes:

- (a)(i) The unlisted equity investments included investments in unlisted equity securities issued by private entities incorporated outside Hong Kong amounted to HK\$15,212,000 (2014: HK\$41,452,000) after impairment provision, of which the Group holds less than 2% (2014: less than 5%) of the equity interest of the investee.

On 13 February 2015, the Company has disposed of a total of 4,500,000 shares of Anhui Yangzi Floor Co. Limited ("AnHui") at a price of Renminbi ("RMB") 5.5 per Anhui share in a series of transactions on the open market of National Equities Exchange and Quotations for the aggregate net sale proceeds of approximately HK\$31,333,000, resulting in gain on disposal of approximately HK\$5,084,000. The details of which were disclosed in the Company's announcement dated 13 February 2015.

- (a)(ii) At the end of reporting period, the Group held 5% unlisted equity interest in a PRC entity amounted to RMB1,500,000 (equivalent to approximately HK\$1,791,000) as at 31 December 2015 (2014: RMB1,500,000 (equivalent to approximately HK\$1,901,000)).

- (a)(iii) On 24 January 2014, an indirect wholly-owned subsidiary of the Company entered into a subscription agreement with P'0006 A' Beckett Pty Ltd. (the "Trustee") and ICD Land Pty. Ltd. ("ICD Land") (the "Subscription Agreement"), pursuant to which the Group agreed to subscribe for 199 ordinary units and 14,285,316 of the class A units of A' Beckett Street Trust (the "Trust") and 199 trustee's ordinary shares in the capital of the Trustee for a total consideration of Australian dollar ("A\$") 14,285,714 (equivalent to approximately HK\$97,701,000). The objective of the Trust is to complete the proposed development of a residential complex on the parcel of land in Melbourne, Australia.

In conjunction with the Subscription Agreement, the Group, ICD Land and the Trustee also entered into an agreement on the same day to regulate the affairs of the Trust and the Trustee.

At the end of reporting period, the Group had paid all (2014: approximately 50%) of the consideration of A\$14,285,714 (equivalent to approximately HK\$89,980,000) (2014: A\$7,143,256 (equivalent to approximately HK\$49,210,000)). As the Group has no power to govern or participate the financial operating policies of the investment entities so as to obtain benefits from its activities, the directors of the Company designated the unlisted investment as available-for-sale investment.

The above unlisted equity investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Notes to the Financial Statements

For the year ended 31 December 2015

18. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

(b) The analysis of the fund investments of the Group are as follows:

	2015	2014
	HK\$'000	HK\$'000
At fair value (Notes (b)(i), (b)(ii) & (b)(iii))	361,262	367,767
At cost (Notes (b)(iv) & (b)(vi))	1,739,137	446,353
	2,100,399	814,120

Notes:

- (b)(i) At the end of reporting period, the Group held approximately 418,000 (2014: 418,000) participating redeemable preference shares ("Participating Shares") in an investment entity incorporated outside Hong Kong for diversifying the Group's securities investment risk and further enhance the rate of return of the Group's core business of securities investment. The fair value of the Participating Shares as at 31 December 2015 is approximately HK\$139,309,000 (2014: approximately HK\$149,770,000).
- (b)(ii) At the end of reporting period, the Group held approximately 101,000 (2014: 101,000) participating redeemable preference shares in a sub-fund of an investment entity incorporated in the Cayman Islands (the "Sub-Fund A"). The Sub-Fund A is focus on, but not limited to, Asia (excluding Japan) equity to generate positive returns in all market conditions. The fair value of participating redeemable preference shares of the Sub-Fund A as at 31 December 2015 is approximately HK\$114,272,000 (2014: approximately HK\$102,500,000).
- (b)(iii) At the end of reporting period, the Group also held approximately 110,000 (2014: 110,000) participating redeemable preference shares in another sub-fund of the above mentioned investment entity (the "Sub-Fund B"). The Sub-Fund B invested the collected funds to generate positive returns in all market conditions by employing multi-strategy investment approach, to invest on, but not limited to, Asia Pacific equity by employing bottom-up approach and to invest in both long and short term of different asset classes. The fair value of participating redeemable preference shares of the Sub-Fund B as at 31 December 2015 is approximately HK\$107,681,000 (2014: approximately HK\$115,497,000).
- (b)(iv) At the end of the reporting period, the Group held approximately 637,000 (2014: 125,000) non-redeemable, non-voting participating shares of an investment entity incorporated in the Cayman Islands (the "Private Equity Fund") and approximately 1,012,000 (2014: 450,000) non-redeemable, non-voting participating shares of Property Fund, another investment entity incorporated in Cayman Islands. The carrying values of the investments in the Private Equity Fund and the Property Fund as at 31 December 2015 are approximately HK\$500,506,000 (2014: approximately HK\$96,928,000) and approximately HK\$775,818,000 (2014: approximately HK\$349,425,000) respectively.

On 29 December 2014, the Group further subscribed and made the payment for new non-redeemable, non-voting participating shares of Private Equity Fund with par value of US\$0.001 each with the subscription monies of US\$52,000,000 (equivalent to approximately HK\$403,578,000). These shares shall rank pari passu with all existing Private Equity Fund shares in issue. Since the additional subscription shares were finally allotted and issued on 2 January 2015. Thus, the payment was classified as prepayment for subscription of available-for-sale investment under non-current assets as at 31 December 2014.

Notes to the Financial Statements

For the year ended 31 December 2015

18. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

(b) (Continued)

Notes: (Continued)

On 29 June 2015, the Group further subscribed and made the payment for new non-redeemable, non-voting participating shares of Property Fund with the subscription monies of US\$55,000,000 (equivalent to approximately HK\$426,393,000). These shares shall rank pari passu with all existing Property Fund shares in issue. The additional subscription shares were finally allotted and issued on 2 July 2015.

The investment objective of the Private Equity Fund is to achieve medium to long term capital appreciation through investing in one or more collective investment schemes that invest predominantly in real estate and related investments in the US, Europe and/or Australia.

The investment objective of the Property Fund is to achieve medium to long term capital appreciation through investing substantially all of its assets available for investment in residential, industrial, retail and commercial real estate and related investments primarily in Hong Kong, the US and potentially to a lesser extent in Singapore and countries that are members of the Organisation for Economic Co-operation and Development.

(b)(v) As the equity investments in Private Equity Fund and in Property Fund (Note (iv)) do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses.

(b)(vi) On 3 November 2015, an indirect wholly-owned subsidiary of the Company entered into a subscription agreement with Prosperity Risk Balanced Fund LP ("PRB Fund"), pursuant to which the Group agreed to contribute commitments for a total amount of US\$60,000,000 (equivalent to approximately HK\$465,000,000) as a limited partner to PRB Fund. The amount of the Group's commitments represents 7.5% of the total commitments of US\$800,000,000 (equivalent to approximately HK\$6,200,000,000). PRB Fund is currently seeking from qualified investors to invest therein as limited partners. As at 31 December 2015, the carrying value of the investments in PRB Fund is approximately HK\$462,813,000.

The investment objective of the PRB Fund is to invest in debt instruments of special purpose vehicles which in turn hold shares in PRC companies established for the purpose of developing real estates in the PRC with an expected return of not less than 6% per annum on the debt instruments. Details of the investment in PRB Fund were set out in the Company's announcement and circular dated 3 November 2015 and 25 November 2015.

At 31 December 2015, the Group has outstanding commitments to make capital contribution of approximately US\$285,000 (equivalent to approximately HK\$2,187,000).

Those investments as described in Notes (b)(i) to (vi) above are unlisted and the Group has no power to govern or participate the financial operating policies of the investment entities so as to obtain benefits from its activities and does not intend to trade for short-term profit, the directors of the Company designated the unlisted investments as available-for-sale investments.

Notes to the Financial Statements

For the year ended 31 December 2015

19. LOAN RECEIVABLES

	2015	2014
	HK\$'000	HK\$'000
<i>Current:</i>		
Loans to a joint venture (Note (a))	26,393	—
<i>Non-current:</i>		
Loans to a joint venture (Note (a))	368,207	—
Loan to investee (Note (b))	180,000	—
Loan to the Trustee (Noted (c))	23,256	—
Loan to member of a joint venture (Note (d))	2,041	—
	573,504	—
	599,897	—

Notes:

- (a) On 21 August, 25 August and 16 October 2015, the Group entered into certain loan agreements to provide loans in an aggregate principal amount of approximately US\$3,404,000 (equivalent to approximately HK\$26,393,000) to a joint venture, which carry interest at 5% per annum and repayable on demand. On 21 August 2015, the Group entered into a loan agreement to provide a loan in principal amount of US\$10,000,000 (equivalent to approximately HK\$77,546,000) to a joint venture, which carries interest at 5% per annum and repayable in 2020. On 10 December 2015, the Group entered into another loan agreement to provide an additional loan in the principal amount of US\$37,500,000 (equivalent to approximately HK\$290,661,000) to a joint venture, which carries interest at 6% per annum and repayable in 2020. All the loans to a joint venture are unsecured.
- (b) On 15 January 2015, the Group entered into an agreement to provide loan in the principal amount of HK\$180,000,000 to an investee, which carries interest at 6% per annum, is unsecured, repayable in 2018 and guaranteed by the Property Fund (Note 18(b)(iv)), the available-for-sale investment of the Group.
- (c) On 7 December 2015, the Group entered into an agreement to provide loan in the principal amount of A\$4,121,170 (equivalent to approximately HK\$23,256,000) to the Trustee (Note 18(a)(iii)), which carries interest at 10% per annum, is unsecured and repayable in 2017.
- (d) On 21 August 2015, the Group entered into an agreement to provide loan in the principal amount of US\$263,368 (equivalent to approximately HK\$2,041,000) to a member holding Class B membership interests in a joint venture, which carries interest at 6% per annum, is secured and repayable in 2020.

Notes to the Financial Statements

For the year ended 31 December 2015

20. FINANCIAL INSTRUMENTS HELD FOR TRADING

	2015	2014
	HK\$'000	HK\$'000
Listed securities:		
— Equity securities listed in Hong Kong	10,606	9,507
— Equity securities listed in the PRC, US, Europe and Japan	138,958	95,176
Derivatives:		
— Forward exchange contracts and futures contracts	6,261	10,028
	155,825	114,711

The fair values of all listed securities are determined by reference to the quoted market bid price available on the relevant exchanges.

The listed securities held by the Group are mainly listed in HK, US, Europe and Japan. The Group maintains a portfolio of diversified investments in terms of industry distribution such as fund investment, healthcare, manufacturer, financial institutions, technology and natural resources. As such, the value of the Group's listed securities is significantly affected by oil price slump, volatile global capital market, including strong US economy, weak performance in the Eurozone, slackened economic growth in China and emerging economies and raising tension between Middle East Countries.

21. OTHER FINANCIAL ASSETS

Other financial assets include short-term bank deposits and bank balances and cash.

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

Bank balances and short-term bank deposits carry interest at market rates with average interest rate of 0.01% and 1.86% (2014: 0.01% and 0.38%) per annum respectively.

As at 31 December 2015, the Group had bank balances denominated in RMB amounted to approximately HK\$38,116,000 (2014: HK\$12,608,000), which were deposited with the banks and financial institution in the PRC. RMB is currently not a free convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Financial Statements

For the year ended 31 December 2015

22. AMOUNTS DUE FROM/(TO) IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY

The amounts due are unsecured, interest-free and repayable on demand.

23. BORROWINGS

The maturity profile of the borrowings is as follows:

	2015	2014
	HK\$'000	HK\$'000
<i>Current:</i>		
Obligation under finance lease (Note 28)	45	44
Bank and other loans		
— unsecured and repayable within 1 year (Note (a) & (b))	863,288	—
	863,333	44
<i>Non-current:</i>		
Obligation under finance lease (Note 28)	71	118
Bank loans and other loans		
— unsecured and repayable after 1 year but within 2 years (Note (a))	399,833	—
— unsecured and repayable after 2 years but within 5 years (Note (a), (c) & (d))	758,270	522,453
— unsecured and repayable after 5 years (Note (e))	443,451	1,000,000
	1,601,625	1,522,571
	2,464,958	1,522,615

As 31 December 2015, the bank and other loans of the Group represented:

Notes:

- a) A bank borrowing of HK\$497,833,000 (31 December 2014: HK\$495,833,000), of which HK\$98,000,000 under current liabilities (31 December 2014: Nil) is repayable within 1 year. The remaining bank borrowing amounted to HK\$399,833,000 under non-current liabilities is wholly repayable after 1 year but within 2 years (31 December 2014: HK\$495,833,000 under non-current liabilities is wholly repayable after 2 year but within 5 years). This bank borrowing is unsecured and bearing interest at floating rate. The average interest rate as at 31 December 2015 is 2.07% (31 December 2014: 2.3%) per annum. The bank borrowing was guaranteed by Sino-Ocean Land Holdings Limited, the ultimate parent of the Group, which was released on 7 January 2015.

Notes to the Financial Statements

For the year ended 31 December 2015

23. BORROWINGS (Continued)

Notes: (Continued)

- b) A borrowing amounted to US\$100 million (equivalent to approximately HK\$775,096,000) (31 December 2014: Nil) ("Other Borrowing I") under current liabilities represent a loan provided by Grand Beauty, an indirect wholly-owned subsidiary of Sino-Ocean Land Holdings Limited, the ultimate parent of the Company. The Other Borrowing I was drawdown on 17 August 2015 ("Drawdown Date I"). The amount due is unsecured, wholly repayable in February 2016 and interest bearing at fixed rate of 2.04% per annum.

The fair value of the Other Borrowing I on Drawdown Date I was US\$95,113,000 (equivalent to approximately HK\$737,216,000), which was determined based on the valuation using Hull White Interest Rate Model carried out by BMI Appraisal Limited ("BMI Appraisal"), an independent professional valuer. The Other Borrowing I is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 13.06% per annum. Imputed interest expense of approximately HK\$28,072,000 (Note 8) has been recognised in profit or loss in the current year. The carrying amount of the Other Borrowing I was HK\$765,288,000 and it was classified as repayable within 1 year as at 31 December 2015.

- c) An entrusted loan of HK\$25,066,000 (2014: HK\$26,620,000) in the PRC provided by Sino-Ocean Land Limited, a fellow subsidiary of the Group, which is unsecured, wholly repayable in 2019 (classified as repayable after 2 years but within 5 years) and bearing interest at fixed rate of 7.34% per annum.

- d) A borrowing amounted to US\$125 million (equivalent to approximately HK\$968,870,000) (31 December 2014: Nil) ("Other Borrowing II") under non-current liabilities represent a loan provided by Grand Beauty. The Other Borrowing II was drawdown on 7 December 2015 ("Drawdown Date II"). The amount due is unsecured, wholly repayable in 2018 and interest bearing at fixed rate of 1.90% per annum.

The fair value of the Other Borrowing II on Drawdown Date II was US\$94,199,000 (equivalent to approximately HK\$730,129,000), which was determined based on the valuation using Hull White Interest Rate Model carried out by BMI Appraisal. The Other Borrowing II is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 12.24% per annum. Imputed interest expense of approximately HK\$3,075,000 (Note 8) has been recognised in profit or loss in the current year. The carrying amount of the Other Borrowing II was HK\$733,204,000 and it was classified as repayable after 2 years but within 5 years as at 31 December 2015.

- e) At 31 December 2014, a borrowing amounted to HK\$1,000 million under non-current liabilities represent a loan provided by Grand Beauty. The amount due was unsecured, wholly repayable in 2023 and interest bearing at the rate of three-month HIBOR plus 1.5% to 3.75% per annum. The borrowing was settled by the Group on 10 August 2015.

On 5 August 2015, another borrowing amounted to HK\$1,000 million ("Other Borrowing III") was provided by Grand Beauty, which is unsecured, wholly repayable in 2025 and interest bearing at fixed rate of 2.04% per annum. The Other Borrowing III was drawdown on 7 August 2015 ("Drawdown Date III").

The fair value of the Other Borrowing III on Drawdown Date III was HK\$431,361,000, which was determined based on the valuation using Hull White Interest Rate Model carried out by BMI Appraisal. The Other Borrowing III is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 12.34% per annum. Imputed interest expense of approximately HK\$12,089,000 (Note 8) has been recognised in profit or loss in the current year. The carrying amount of the Other Borrowing III was HK\$443,451,000 and it was classified as repayable after 5 years as at 31 December 2015.

Notes to the Financial Statements

For the year ended 31 December 2015

23. BORROWINGS (Continued)

Notes: (Continued)

On 21 May 2014, a waiver was granted by Grand Beauty for loan interest payable for the period from 1 January 2014 to 31 December 2014 as continued support to the Group for the implementation of its investment strategy. The total amount of interest being waived for the year amounted to approximately HK\$22,300,000 is regarded as capital contribution and recorded in the consolidated statement of changes in equity and the Company's statement of changes in equity (Note 25).

- f) As mention in Note (b), (d) and (e), other borrowing I,II and III are recognised initially at fair value. Due to these borrowings are provided by Grand Beauty, any differences between the proceeds and their fair values represent capital contribution from Grand Beauty which is recognised in the consolidated statement of change in equity and the Company's statement of changes in equity (Note 25).
- g) On 31 August 2015, the Group has entered into a new facility agreement with Grand Beauty with the facility amount of US\$700 million (equivalent to approximately HK\$5,425,674,000). The facility has not been utilised as at 31 December 2015. The facility granted is unsecured, wholly repayable in 2020 and interest bearing at fixed rate of 2.04% per annum.

24. SHARE CAPITAL

	2015	2014
	HK\$'000	HK\$'000
Issued and fully paid:		
448,100,000 (2014: 445,500,000) ordinary shares of HK\$0.05 each	180,658	22,275
Transfer from share premium account on 3 March 2014 (Note)	—	153,728
Exercise of share options	4,223	4,655
	<hr/>	<hr/>
450,990,000 ordinary shares (2014: 448,100,000 ordinary shares of HK\$0.05 each)	184,881	180,658

Note:

The Hong Kong Companies Ordinance, Cap. 622 (the "Ordinance") came into effect on 3 March 2014. Under s.135 of the Ordinance, shares in a company do not have nominal value. Accordingly, the concept of authorised share capital is abolished. The no nominal value regime applies to the Company. Following the transitional provisions in the Ordinance, any amount standing to the credit of the share premium account at the beginning of 3 March 2014 became part of the Company's share capital.

The use of share capital from 3 March 2014 is governed by s.149 of the Ordinance. However, the application of the amount transferred from share premium account at the beginning of 3 March 2014 is governed by the transitional provision in s.38 of Schedule 11 to the Ordinance.

Notes to the Financial Statements

For the year ended 31 December 2015

25. RESERVES

THE GROUP

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

THE COMPANY

	Share premium	Convertible preference shares reserve	Share options reserve	Capital contribution	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 January 2014	153,728	—	19,521	—	273,588	446,837
Transaction to no-par value regime on 3 March 2014	(153,728)	—	—	—	—	(153,728)
Issue of convertible preference shares (Note 26)	—	3,898,698	—	—	—	3,898,698
Share-based compensation (Note 7)	—	—	5,062	—	—	5,062
Exercise of share options	—	—	(1,411)	—	—	(1,411)
Interest waiver granted by parent (Note 23(e))	—	—	—	22,300	—	22,300
Loss for the year	—	—	—	—	(86,106)	(86,106)
At 31 December 2014	—	3,898,698	23,172	22,300	187,482	4,131,652
Share-based compensation (Note 7)	—	—	5,264	—	—	5,264
Exercise of share options	—	—	(1,384)	—	—	(1,384)
Vested share option forfeited	—	—	(3,613)	—	3,613	—
Capital contribution through borrowings from parent (Note 23(f))	—	—	—	845,260	—	845,260
Profit for the year	—	—	—	—	49,991	49,991
At 31 December 2015	—	3,898,698	23,439	867,560	241,086	5,030,783

Notes to the Financial Statements

For the year ended 31 December 2015

26. CONVERTIBLE PREFERENCE SHARES RESERVE

On 26 October 2014, the Company entered into a subscription agreement (as supplemented by a supplemental agreement thereto dated 24 November 2014) with the parent, Grand Beauty, pursuant to which the Company agreed to issue 1,300,000,000 non-voting convertible preference shares of HK\$3 each (the "CPSs") issued to Grand Beauty with total subscription price of HK\$3,900,000,000.

All the CPSs are non-redeemable by the Company and the CPSs holder shall have no right to request the Company to redeem any of the CPSs. Also subject to certain limited exceptions, the CPSs holder is not permitted to attend or vote at meetings of the Company. The board of directors of the Company may, in its sole discretion, elect not to pay dividend on the CPSs in any year, and the dividend not paid shall be extinguished and not be carried forward (the "Discretionary Non-payment Restriction"). Save for a non-cumulative floating preference dividend at the floating rate per annum determined with reference to the prevailing annualised yield-to-maturity rate of the 10-year Government Bonds issued by the Hong Kong Government (which is subject to the Discretionary Non-payment Restriction), the CPSs shall not entitle the CPSs holders thereof to any further or other right of participation in the profits of the Company.

During the term of the CPSs, subject to certain conversion restrictions, the holder of the CPSs shall only have right to convert all or part of any CPSs into new ordinary shares at any time after the end of the period of 5 years commencing from the issue date of the CPSs, at the initial conversion price of HK\$3 per convertible preference share, subject to adjustments.

As the conversion option involves only a conversion of a fixed number of the Company's ordinary shares (ie. settled by the exchange of fixed amount of equity), the CPSs are classified as equity instruments accordingly.

The issue of the CPSs has been approved by the independent shareholders of the Company at the extraordinary general meeting held on 23 December 2014. On the same date, the CPSs were allotted and issued by the Company. The CPSs' proceeds of HK\$3,900,000,000, net of professional expenses of HK\$1,302,000, was credited to the convertible preference shares reserve.

Details of the CPSs were set out in the announcements of the Company dated 26 October 2014 and 24 November 2014, and the Company's circular dated 27 November 2014.

Notes to the Financial Statements

For the year ended 31 December 2015

27. DEFERRED TAX

As at 31 December 2015, deferred tax liabilities of HK\$1,768,000 arising from the withholding tax on interest income are recognised in the consolidated statement of financial position.

At the end of the reporting period, the Group had unused tax losses of approximately HK\$105,268,000 (2014: HK\$53,918,000) available for offset against future profits. The tax losses are subject to Hong Kong Inland Revenue Department final assessment. No deferred tax assets have been recognised in respect of such losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

No deferred tax liability has been recognised on temporary differences of approximately HK\$15,559,000 (equivalent to approximately RMB12,379,000) (2014: HK\$14,738,000 (equivalent to approximately RMB11,712,000)) relating to the undistributed earnings of foreign subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such difference will not reverse in the foreseeable future.

28. LEASES

Finance lease

At 31 December 2015, the Group had obligation under finance lease repayable as follows:

	Minimum lease payments 2015	Interest 2015	Present value 2015
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	61	16	45
After 1 year but within 5 years	101	30	71
	162	46	116

Notes to the Financial Statements

For the year ended 31 December 2015

28. LEASES (Continued)

Finance lease (Continued)

At 31 December 2014, the Group had obligation under finance lease repayable as follows:

	Minimum lease payments 2014	Interest 2014	Present value 2014
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	60	16	44
After 1 year but within 5 years	167	49	118
	<u>227</u>	<u>65</u>	<u>162</u>

Operating lease — the Group as lessee

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

	2015	2014
	HK\$'000	HK\$'000
Within one year	4,842	3,122
In the second to fifth year inclusive	3,203	282
	<u>8,045</u>	<u>3,404</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms ranging from one to three years and rentals are fixed over the lease terms.

Notes to the Financial Statements

For the year ended 31 December 2015

28. LEASES (Continued)

Operating lease – the Group as lessor

Property rental income earned during the year is disclosed in Note 5. The properties held by the Group have committed tenants for the lease term ranging from 6 months to 2 years and rentals are fixed over the lease terms.

At the end of reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015	2014
	HK\$'000	HK\$'000
Within one year	13,013	11,794
In the second to fifth year inclusive	4,105	2,322
	17,118	14,116

29. CAPITAL COMMITMENTS

	2015	2014
	HK\$'000	HK\$'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:		
— Capital contribution to a joint venture (Note 17(a))	353,765	178,403
— Capital contribution to an unlisted investment (Note 18(b)(vi))	2,187	—
— Acquisition of membership interests in NewSub	—	922,483
— Capital contribution to an unlisted equity investment classified as available-for-sale investment	—	45,428
	355,952	1,146,314

Notes to the Financial Statements

For the year ended 31 December 2015

30. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme and other defined contribution retirement schemes for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The employees of the Company's subsidiaries established outside Hong Kong are members of a state-managed retirement scheme operated by respective governments. These subsidiaries are required to contribute certain percentage of basic payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme.

During the year ended 31 December 2015, the retirement benefits cost charged to the consolidated income statement of HK\$1,151,000 (2014: HK\$538,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

31. RELATED PARTY TRANSACTIONS

Other than the loan to a joint venture, amount due to a fellow subsidiary, amount due from immediate holding company and borrowings as disclosed in respective notes and transactions disclosed below, the Group and the Company does not entered into any other transactions with related parties. The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in Note 11.

In addition to those related party transactions disclosed elsewhere in the financial statements, the Group entered into the following transactions with its related parties during the year. The transactions were carried out at estimated market prices determined by the Group's management.

	2015	2014
	HK\$'000	HK\$'000
Transaction with parent:		
— Interest paid/payable	32,970	—
— Interest waived	—	(22,300)
Transactions with fellow subsidiaries:		
Expenses:		
— Rents paid	488	1,009
— Building management fee paid	49	109
	537	1,118
Transaction with a joint venture:		
— Other loan interest income	(2,927)	—

Notes to the Financial Statements

For the year ended 31 December 2015

32. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Investments in subsidiaries	33	2,185,560	872,579
Amounts due from subsidiaries	33	4,495,714	2,649,040
		6,681,274	3,521,619
Current assets			
Deposits, prepayments and other receivables		218	174
Amount due from immediate holding company		—	2,910
Amounts due from subsidiaries	33	767,300	685,909
Short-term bank deposits		109,013	11,050
Bank balances and cash		179,695	1,636,827
		1,056,226	2,336,870
Current liabilities			
Other payables and accrued charges		14,095	50,166
Amount due to a fellow subsidiary		65,880	—
Amounts due to subsidiaries		2,085	180
Borrowings		863,288	—
		945,348	50,346
Net current assets		110,878	2,286,524
Total assets less current liabilities		6,792,152	5,808,143
Capital and reserves			
Share capital	24	184,881	180,658
Reserves	25	5,030,783	4,131,652
Total equity		5,215,664	4,312,310
Non-current liabilities			
Borrowings		1,576,488	1,495,833
Total equity and non-current liabilities		6,792,152	5,808,143

On behalf of the board of the directors of the Company

Sum Pui Ying
 Director

Lai Kwok Hung, Alex
 Director

Notes to the Financial Statements

For the year ended 31 December 2015

33. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2015	2014
	HK\$'000	HK\$'000
Unlisted shares, at cost	10	10
Deemed capital contribution (Note)	2,185,550	872,569
	2,185,560	872,579

Note:

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the directors, based on their assessment as at 31 December 2015 of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries of HK\$4,495,714,000 (2014: HK\$2,649,040,000) will not be recovered within one year from the end of the reporting period, accordingly, these amounts are classified as non-current. During the year ended 31 December 2015, the principal amounts due from subsidiaries have been adjusted to their fair value with a corresponding amount of HK\$2,185,560,000 (2014: HK\$872,569,000) in investments in subsidiaries. These are regarded as deemed contribution by the Company to these subsidiaries. The effective interest rate on the amounts due from subsidiaries ranged from 2.26% to 12.51% (2014: 2.26% to 6.08%) per annum, representing the borrowing rates of the relevant subsidiaries.

Particulars of the subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2015	2014	
				%	%	
Acute Sky Global Limited	BVI	The US	US\$1	100	100	Investment holding
Advance Favour International Limited	BVI	Hong Kong	US\$1	100*	—	Investment holding
Bai Li Investments Limited	BVI	Hong Kong	US\$1	100	—	Investment holding
Billion Fast Corporation Limited	Hong Kong	Hong Kong	HK\$1	100	100	Inactive
Billion Thrive Limited	BVI	Hong Kong	US\$1	100	100	Property investment
Chance Bright Limited	Cayman Islands	Hong Kong	US\$1	100*	100*	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2015

33. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2015	2014	
				%	%	
Charm City Global Limited	BVI	The US	US\$1	100	—	Inactive
City Beyond Investments Limited	BVI	Hong Kong	US\$1	100*	100*	Investment holding
Dawn City Global II LLC	The US	The US	US\$11,950,261	100	100	Property Investment
Dawn City Global Limited	BVI	The US	US\$1	100	100	Investment holding
Dawn City Global LLC	The US	The US	US\$11,958,775	100	100	Investment holding
E.P. Resources Limited	Hong Kong	Hong Kong	HK\$10,000	100*	100*	Inactive
Eagle Rich Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Eminent Energy Holdings Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Extra Power Global Limited	BVI	The US	US\$1	100	—	Inactive
Fame Gate Developments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Flourish Day Global Limited	BVI	The US	US\$1	100	100	Investment holding
Forceful Basis Global Limited	BVI	The US	US\$1	100*	—	Inactive
Gemini Investment (HK) Limited	Hong Kong	Hong Kong	HK\$2	100*	100*	Securities investment and trading
Gemini Overseas Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Gemini Property (HK) Limited	Hong Kong	Hong Kong	HK\$1	100	100	Investment holding
Gemini Property Investments Limited	Hong Kong	Hong Kong	HK\$1	100	100	Inactive
Gemini-Rosemont Realty Holdings LLC	The US	The US	US\$66,151,004	100	100	Property Investment
Global Charm Capital Investment Limited	Hong Kong	Hong Kong	HK\$1	100	100	Inactive

Notes to the Financial Statements

For the year ended 31 December 2015

33. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2015	2014	
				%	%	
Glorious City Global Limited	BVI	The US	US\$1	100	100	Investment holding
Glorious Field Investments Limited	BVI	Hong Kong, The US & Australia	US\$1	100	100	Investment holding
Grandeur New Global II LLC	The US	The US	US\$5,738,930	100	100	Property Investment
Grandeur New Global Limited	BVI	The US	US\$1	100	100	Investment holding
Grandeur New Global LLC	The US	The US	US\$5,744,393	100	100	Investment holding
Huge Bloom Investment Limited	Hong Kong	Hong Kong	HK\$1	100	100	Inactive
Jet City Global II LLC	The US	The US	US\$9,567	100	100	Inactive
Jet City Global Limited	BVI	The US	US\$1	100	100	Investment holding
Jet City Global LLC	The US	The US	US\$14,359	100	100	Investment holding
Jian Feng Holdings Limited	BVI	Hong Kong	US\$1	100	100	Property investment
Jin Ying Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Joy Sky Capital Investment Limited	Hong Kong	Hong Kong	HK\$1	100*	100*	Investment holding
Keen Superior Holdings Limited	BVI	Hong Kong	US\$1	100	100	Property investment
King Advance Holdings Limited	BVI	Hong Kong	US\$1	100	—	Investment holding
King Advance Investments Limited	Hong Kong	Hong Kong	HK\$1	100	—	Investment holding
King Yin Lei Authentication of International Historic and Artistic Work Centre Limited	Hong Kong	Hong Kong	HK\$1	100	100	Inactive
King Yin Lei International Association for Promotion on Appreciation of Historic and Artistic Work Limited	Hong Kong	Hong Kong	HK\$1	100	100	Inactive

Notes to the Financial Statements

For the year ended 31 December 2015

33. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2015	2014	
				%	%	
Magic Gold Global Limited	BVI	The US	US\$1	100	100	Investment holding
Max Energy Development Limited	Hong Kong	Hong Kong	HK\$1	100*	100*	Investment holding
Moral Smart Capital Investment Limited	Hong Kong	Hong Kong	HK\$1	100	100	Inactive
Ocean Wonder Global Limited	BVI	The US	US\$1	100	100	Investment holding
Plan Rosy Limited	BVI	The US	US\$1	100	100	Investment holding
Precise Bloom Limited	BVI	Hong Kong	US\$1	100	100	Property investment
River Thrive Global Limited	BVI	The US	US\$1	100*	100*	Investment holding
Rosefield Global Investments Limited	BVI	The US	US\$1	100	100	Investment holding
Rosemont Diversified Portfolio II LP Holdings LLC	The US	The US	US\$27,017,500	100	—	Investment holding
Rosemont WTC Denver GPM LLC Holdings LLC	The US	The US	US\$11,780,487	100	100	Property Investment
Sharp Faith Global Limited	BVI	The US	US\$1	100	—	Inactive
Sheng Hai Limited	BVI	Hong Kong	US\$1	100	100	Inactive
Sheng Mao Investments Limited	BVI	Hong Kong	US\$1	100*	100*	Investment holding
Shine Victory Global Limited	BVI	The US	US\$1	100	100	Investment holding
Shine Victory II LLC	The US	The US	US\$7,960,830	100	100	Property Investment
Shine Victory LLC	The US	The US	US\$7,966,329	100	100	Investment holding
Sinobliss Global Investments Limited	BVI	The US	US\$1	100	100	Investment holding
Soar Ocean Limited	BVI	The US	US\$1	100	100	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2015

33. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2015	2014	
				%	%	
Soar Profit Holdings Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Soar Talent Holdings Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Summer Bliss Global Limited	BVI	The US	US\$1	100*	100*	Investment holding
Sunbridge Global Limited	BVI	The US	US\$1	100	—	Inactive
Sunray City Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Sunrose Global Limited	BVI	The US	US\$1	100	100	Investment holding
Swift Boom Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Talent Elite Holdings Limited	BVI	Hong Kong	US\$1	100	100	Property investment
Time Ray Global Limited	BVI	The US	US\$1	100*	—	Inactive
Top Pavilion Limited	BVI	Hong Kong	US\$1	100	100	Leasing office premise
Ultimate Ventures Holdings Limited	BVI	Hong Kong	US\$1	100	100	Property investment
Ultra Beauty Global Advisory Limited	Hong Kong	Hong Kong	HK\$1	100	100	Inactive
Ultra Beauty Global Limited	BVI	Hong Kong	US\$1	100*	100*	Investment holding
Upper Ascent Limited	Hong Kong	Hong Kong	HK\$1	100	100	Inactive
杭州盛能投資諮詢有限公司 [#]	PRC	PRC	US\$16,000	100	100	Investment holding
盛洋(北京)投資顧問有限公司 [#]	PRC	PRC	RMB20,000,000	100	100	Investment holding and provision of fund management services

* Directly held by the Company

[#] These companies established in the PRC are wholly owned foreign enterprises

Notes to the Financial Statements

For the year ended 31 December 2015

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of borrowings (Note 23) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management reviews the capital structure regularly. As a part of this review, the management considers the cost of capital and the risks associated with the issued share capital and will balance the Group's overall capital structure through the payment of dividends or the issue of new debt.

The Group's overall strategy remains unchanged from prior year.

The gearing ratio of the Group at the end of reporting period was as follows:

	2015	2014
	HK\$'000	HK\$'000
Debt	2,464,958	1,522,615
Cash and cash equivalents	(851,494)	(2,157,863)
Net debt	1,613,464	Nil
Equity	3,956,346	4,307,046
Net debt to equity ratio	40.8%	N/A

Notes to the Financial Statements

For the year ended 31 December 2015

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015	2014
	HK\$'000	HK\$'000
<i>Financial assets</i>		
Available-for-sale investments	2,207,382	906,683
FVTPL — Held for trading	155,825	114,711
Loans and receivables	610,440	8,106
Cash and cash equivalents	851,494	2,157,863
<i>Financial liabilities</i>		
At amortised cost	2,565,849	1,577,056

(b) Financial risk management objectives and policies

The management monitors and manages the financial risks relating to the operations of the Group through various internal management reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures such risks.

Notes to the Financial Statements

For the year ended 31 December 2015

35. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency risk management

Some of the Group's transactions were conducted in foreign currencies other than the functional currency of the operations to which they related. Certain bank balances and deposits of the Group are also denominated in foreign currencies other than the functional currency of the group entities. Hence, exposures to exchange rate fluctuations arise. The Group manages its foreign currency risks by constantly monitoring the movement of the foreign exchange rates.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the operations to which they relate at the end of the reporting period is as follows:

	Assets		Liabilities	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
US\$	855,102	1,751,408	1,566,321	—
RMB	16,216	16,696	—	—
Japanese Yen ("JPY")	88	—	—	—
A\$	74,910	57,318	—	—
GBP	126,567	—	—	—
EUR	299	—	—	—
	1,073,182	1,825,422	1,566,321	—

The policies to manage the foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Notes to the Financial Statements

For the year ended 31 December 2015

35. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency risk management (Continued)

Foreign currency sensitivity

As HK\$ is currently pegged to US\$, management considers that the exposure to exchange fluctuation in respect of US\$ is limited as the relevant group entities have HK\$ as their functional currency. The Group therefore mainly exposed to other currencies.

The following table indicates the approximate change in the Group's profit or loss in response to reasonably possible changes in the foreign exchange rates to which the Group have significant exposure at the end of the prior reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date.

The stated changes represent the management's assessment of reasonably possible changes in foreign exchange rates over the next reporting period. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit or loss measured in the respective functional currencies, translated into HK\$ or US\$ at the exchange rate ruling at the end of the reporting period for presentation purposes. A positive/(negative) numbers represented a decrease/(an increase) in loss in 2015 and a decrease /(an increase) in loss in 2014.

	2015		2014	
	Increase/ (decrease) in foreign exchange rate	Effect on profit or loss HK\$'000	Increase/ (decrease) in foreign exchange rate	Effect on profit or loss HK\$'000
THE GROUP				
RMB against HK\$	10% (10%)	1,622 (1,622)	10% (10%)	1,670 (1,670)
JPY against HK\$	10% (10%)	8 (8)	— —	— —
A\$ against HK\$	10% (10%)	7,491 (7,491)	10% (10%)	5,732 (5,732)
GBP against HK\$	10% (10%)	12,657 (12,657)	— —	— —
EUR against HK\$	10% (10%)	30 (30)	— —	— —

Notes to the Financial Statements

For the year ended 31 December 2015

35. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk management

The Group obtained financing through borrowings. As at 31 December 2015, the borrowings (Note 23) included the following:

- A bank loan bears interest on floating rates and will be wholly repayable in 2017.
- An entrusted loan bears interest at the rate of 7.34% per annum and will be wholly repayable in 2019.
- A loan from Grand Beauty bears interest at the rate of 2.04% per annum and will be wholly repayable in 2016.
- A loan from Grand Beauty bears interest at the rate of 1.9% per annum and will be wholly repayable in 2018.
- A loan from Grand Beauty bears interest at the rate of 2.04% per annum and will be wholly repayable in 2025.

Accordingly, the Group is exposed to cash flow interest risk for the bank loan bears at floating rates. The Group is exposed to fair value interest rate risk for the loans bear interest at fixed rates. The Group analyses its interest rate exposure on a dynamic basis, but the Group did not use floating-to-fixed interest rate swaps in managing its cash flow interest rate risk.

The Group's bank balances and short-term bank deposits carry interest at market rates. In the opinion of the directors of the Company, the impact of the change in the interest rate on short-term bank deposits is negligible. Accordingly, the sensitivity analysis below only includes analysis on bank and other loans.

The policies to manage the interest rate risk have been followed by the Group since prior years and are considered to be effective.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments (representing variable rate bank borrowings as at 31 December 2015) and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used as it represents management's assessment of the possible change in interest rate.

If interest rates of borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's results for the year ended 31 December 2015 would increase/decrease by HK\$2,489,000 (2014: HK\$7,479,000).

Notes to the Financial Statements

For the year ended 31 December 2015

35. FINANCIAL INSTRUMENTS *(Continued)*

(e) Other price risks

The Group is exposed to price risk through its available-for-sale investments measured at fair value (Note 18(b)) and the investments held for trading (Note 20), comprising listed equity securities and derivatives measured at fair value at the end of the reporting period.

Listed equity securities held in the portfolio of available-for-sale investments have been chosen based on their growth potential and are monitored regularly for performance against expectations. The management also performed analysis of the nature of market risk associated with the equity securities held for trading, including discussion with the investment advisors, and concluded that the price risk is more prominent in evaluating the market risk of this kind of investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles in accordance with the limits set by the Group and located in different jurisdictions.

Price sensitivity

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

The sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period for the Group's available-for-sale investments at fair value and investments held for trading. A 10% increase or decrease is used as it represents management's assessment of the possible change in price of equity securities.

If the prices of the listed equity securities held in the portfolio of available-for-sale investments had been 10% higher/lower, the Group's other comprehensive income would increase/decrease by HK\$29,780,000 (2014: HK\$15,317,000) as a result of the changes in fair value of listed equity securities held in the portfolio of available-for-sale investments.

If the prices of the respective equity securities and future contracts that are indexed to equity prices had been 10% higher/lower, the Group's loss for the year ended 31 December 2015 would increase/decrease by HK\$14,956,000 (2014: loss for the year would increase/decrease by HK\$10,523,000) as a result of the changes in fair value of financial instruments held-for-trading.

The Company is not exposed to other price risk as no listed equity investments held at the end of reporting period.

Notes to the Financial Statements

For the year ended 31 December 2015

35. FINANCIAL INSTRUMENTS *(Continued)*

(f) Credit risk management

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and investments is limited because directors consider that the counterparties are financially sound.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

(g) Liquidity risk management

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Notes to the Financial Statements

For the year ended 31 December 2015

35. FINANCIAL INSTRUMENTS (Continued)

(g) Liquidity risk management (Continued)

Liquidity information

The following tables detail the Group's remaining contractual maturity for other non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2015							
Other payables and accrued charges	—	3,945	—	31,067	—	35,012	35,012
Amount due to a fellow subsidiary	—	65,880	—	—	—	65,880	65,880
Borrowings	2.10%	50,887	7,123	1,269,411	2,213,191	3,540,612	2,464,958
		120,712	7,123	1,300,478	2,213,191	3,641,504	2,565,850
31 December 2014							
Other payables and accrued charges	—	17,085	—	37,356	—	54,441	54,441
Borrowings	4.85%	3,531	12,532	83,791	2,045,018	2,144,872	1,522,615
		20,616	12,532	121,147	2,045,018	2,199,313	1,577,056

Notes to the Financial Statements

For the year ended 31 December 2015

35. FINANCIAL INSTRUMENTS (Continued)

(h) Fair value of financial instruments

The Group followed HKFRS 7 Financial Instruments: Disclosures which introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the statement of financial position

Certain available-for-sale investments and the financial instruments held for trading are measured subsequent to initial recognition at fair value, grouped into Level 2 and Level 1 respectively based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of those available-for-sale investments (Notes 18 (b)(i), (ii) & (iii)) in Level 2 is the share of the net assets value of the funds at the end of the reporting period, taking into account the quoted price of the listed equity securities held by the funds.

As at 31 December 2015, the fair values of available-for-sale investments and financial instruments held for trading are HK\$361,262,000 (2014: HK\$367,767,000) and HK\$155,825,000 (2014: HK\$114,711,000) respectively.

Other than set out in Notes 18 and 20, the fair values of other financial assets and all financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Notes to the Financial Statements

For the year ended 31 December 2015

36. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, which are described in Note 3, management has made various estimates and judgements which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements are continually evaluated. The key source of estimation uncertainty and accounting judgements that result in significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year or significantly affect the amounts recognised in the financial statements are discussed below:

- (a) As described in Notes 3(d) and 15, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves estimates in market rental and rental yield. In relying on the valuation report, the directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.
- (b) The directors follow the guidance of HKAS 39 to review available-for-sale investments (Note 18) at the end of each reporting period to assess whether they are impaired. This determination requires significant judgement. In making this judgement, the directors evaluate the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Details of Investment Properties

Investment property and address	Lot Number	Use	Total gross floor area (square feet)	Our Group's interest %	Government lease expiry/ Freehold
Unit 2310 to 2312 on 23rd Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	3,203	100%	2059 (renewable for a further term of 75 years)
Unit No. 2119 and 2120 of 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong	Certain parts or shares of and in Inland Lot No.8517	Office	2,930	100%	2055 (renewable for a further term of 75 years)
Unit 3701 on 37th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	2,388	100%	2059 (renewable for a further term of 75 years)
Unit 3702A on 37th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	1,195	100%	2059 (renewable for a further term of 75 years)
Unit No. 2704 and 2705 of 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong	Certain parts or shares of and in Inland Lot No.8517	Office	3,881	100%	2055 (renewable for a further term of 75 years)
Unit 3604B on 36th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	2,412	100%	2059 (renewable for a further term of 75 years)
Units 26C, 28D, 29C, 30D and 32G, 15 William Street, New York, the US	N/A	Residential	3,860	100%	Freehold
Units 31F, 32F, 33E, 34G and 35E, 15 William Street, New York, the US	N/A	Residential	5,024	100%	Freehold
Units 16G, 20A, 20B, 21D, 25G, 26G, 34B, 35C, 37C and 38C, 15 William Street, New York, the US	N/A	Residential	8,501	100%	Freehold

Five-Year Financial Summary

For the year ended 31 December 2015

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December,

	2011	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	67,363	50,545	186,676	91,915	22,633
Profit/(Loss) before taxation	(16,527)	8,644	43,868	(144,738)	(1,133,009)
Taxation	(1,752)	(1,999)	(4,715)	(100)	(2,238)
Profit/(Loss) for the year	(18,279)	6,645	39,153	(144,838)	(1,135,247)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December,

	2011	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,183,908	1,074,616	2,121,161	5,887,811	6,528,232
Total liabilities	(695,784)	(582,062)	(1,576,556)	(1,580,765)	(2,571,886)
	488,124	492,554	544,605	4,307,046	3,956,346
Equity attributable to:					
Owners of the Company	488,124	492,554	544,605	4,307,046	3,956,346
Non-controlling interests	—	—	—	—	—
	488,124	492,554	544,605	4,307,046	3,956,346

Corporate Information

BOARD OF DIRECTORS

Honorary Chairman

LI Ming

Executive Directors

SUM Pui Ying (Chief Executive Officer)
CUI Yueming
LAI Kwok Hung, Alex

Non-executive Directors

LI Ming (Honorary Chairman)
LI Hongbo

Independent Non-executive Directors

LAW Tze Lun
LO Woon Bor, Henry
DENG Wei

AUDIT COMMITTEE

LAW Tze Lun (Chairman)
LO Woon Bor, Henry
DENG Wei

REMUNERATION COMMITTEE

LAW Tze Lun (Chairman)
LO Woon Bor, Henry
DENG Wei

NOMINATION COMMITTEE

LI Ming (Chairman)
SUM Pui Ying
LAW Tze Lun
LO Woon Bor, Henry
DENG Wei

INVESTMENT COMMITTEE

SUM Pui Ying (Chairman)
LAI Kwok Hung, Alex
LAW Tze Lun

COMPANY SECRETARY

YUE Pui Kwan

AUTHORISED REPRESENTATIVES

LAI Kwok Hung, Alex
YUE Pui Kwan

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISOR

Sit Fung Kwong & Shum

PRINCIPAL BANKERS

DBS Bank Limited
The Bank of East Asia, Limited
Bank of Communications Co., Ltd.
Hong Kong Branch

SHARE REGISTRAR

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3902, 39th Floor
Tower one, Lippo centre
No. 89 Queensway
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 174

COMPANY WEBSITE

www.geminiinvestments.com.hk