Gemini Investments (Holdings) Limited

盛洋投资

(Incorporated in Hong Kong with limited liability)
Stock Code: 174

2017
Annual Report

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Financial Highlights

(HK$'000)	**2017**	2016
Revenue	**55,565**	83,097
Loss before income tax	**(72,341)**	(248,109)
Loss for the year	**(87,018)**	(253,378)
Loss attributable to owners of the Company	**(87,018)**	(253,378)
Losses per share		
— basic (HK dollars)	**(0.19)**	(0.56)
— diluted (HK dollars)	**N/A**	N/A

(HK$'000)	**2017**	2016
Total assets	**6,589,265**	5,926,243
Equity attributable to owners of the Company	**5,475,671**	3,834,192
Cash and bank balances	**1,514,828**	1,121,440
Net gearing ratio (times)*	**N/A**	0.24

* As at 31 December 2017, total cash resources (including bank balances and cash and short-term bank deposits) amounted to approximately HK$1,514.80 million which was sufficient to pay off all borrowings of the Group of approximately HK$500 million. Therefore, the Group had not any gearing on a net debt basis at the year end of 2017.

Chairman's Statement

On behalf of the board of directors of Gemini Investments (Holdings) Limited (the "**Company**") (the "**Director(s)**" or the "**Board**"), I am pleased 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 2017 (the "**Year**" or "**2017**").

FINANCIAL RESULTS

During the Year, our Group recorded a loss attributable to its owners of approximately HK$87.0 million (2016: approximately HK$253.4 million). Among which, approximately HK$88.4 million was attributable to the finance costs, which included the non-cash imputed interest expenses of approximately HK$57.1 million relating to the loans borrowed from Grand Beauty Management Limited ("**Grand Beauty**"), a subsidiary of our controlling shareholder, Sino-Ocean Group Holding Limited ("**Sino-Ocean**", which, together with its subsidiaries, "**Sino-Ocean Group**").

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

OPERATION FOCUS

One of our focus area was our strategical investment in the real estate asset management platform in the United States of America (the "**U.S.**") – Gemini-Rosemont Realty LLC ("**GR Realty**"), with asset under management of approximately US$1.7 billion, comprising 59 commercial properties (95 buildings) with approximately 12.3 million square feet in 20 states across the U.S. as at 31 December 2017.

2017 has been a challenging year, with improved economy accompanied by consistent headwinds in macro-economic factors. After the unsustainably high growth rate of 2014 and 2015, the U.S. real estate market continues to transition towards uneven development between cities and submarkets. GR Realty proactively refines its strategy with more focus in selected core cities and submarkets, so as to capture incoming opportunities. Market valuation of projects in most cities and submarkets increase while those in certain non-core cities decrease, and the Group shared a profit of approximately HK$12.1 million of GR Realty and its syndicated projects.

GR Realty took the Year to further review its investment and operation strategy according to the changing market and more careful consideration in project selection, with more trimmed focus in selected core cities and submarkets, while at the same time, generally realizing those projects in non-core areas. In October 2017, GR Realty acquired a premier class A office campus in the heart of the San Francisco Peninsula, California, U.S., with 100% committed occupancy rate, investment grade credit-backed tenant base as well as estimated unlevered preliminary return after real estate tax over a term of 10 years of around 7.4% and expected high cash-on-cash return on the office campus. Besides, a bank financing with 10-year fixed interest rate of around 3.75% per annum, has been closed by 31 December 2017, and 60% of the equity has been successfully syndicated within the first week of 2018.

Chairman's Statement

Subsequent to the Year end, to further strengthen our Group's presence in the U.S., our Group has acquired the general partner interest and approximately 19.5% limited partner interest in a partnership that indirectly owns and manages the aforesaid office campus from GR Realty, at an aggregate consideration of approximately US$7.4 million.

Upon the completion of such acquisition, our Group will have the full, exclusive and complete right, power, and discretion to operate, manage, and control the business and affairs of the office campus. Such acquisition serves to develop the Group's fund platform investment which is in line with the Group's core business strategy. Moreover, in addition to recurring rental revenue, the Group will also be entitled to receive regular asset management fee at a fixed rate per annum, as well as back-end carried interest of the aforesaid partnership from the capital appreciation of the office campus. It could bring the Company and our shareholders long term benefits as a result of the enriched and extended strategic business connection with different stakeholders.

Property Development in Manhattan, U.S. is also one of the key focus. In April 2017, our Group completed the acquisition of two buildings located at 531-537, 539th Sixth Avenue of Manhattan, the heart of New York City (the "**Sixth Avenue Project**"). The development sits at the crossroads between Chelsea, West Village and Union Square, with well connection to other areas through various metro lines and trains nearby. The Group has submitted a redevelopment plan of gross floor area of approximately 80,000 square feet for the Sixth Avenue Project, aiming to redevelop the site as a mixed-use residential development. The Group will target to structure unique product types in this pilot development project with splendid amenities, targeting to satisfy a particular demand of executive professionals in Manhattan. Existing structure is vacant retail, and the demolition of the existing buildings is expected to start in the first half of 2018 and the Sixth Avenue Project is estimated to complete in the fourth quarter of 2020.

CAPITAL STRUCTURE MOVES

Aiming for more flexible dividend policy and enhancing the confidence of our shareholders, potential investors and business partners so as to benefit the Group's future business development, the Group has been actively seeking for ways to improve its financial position and optimise its capital structure.

Issue of the Perpetual Bond

During the second half of the Year, the Company has completed the issuance of an unsecured perpetual bond to Grand Beauty amounted to approximately HK$2,259.5 million, with the consideration having been satisfied by setting off against the entire outstanding principal amount of the shareholder's loan owed by the Company to Grand Beauty and related interest accrued.

Such issue of perpetual bond effectively reduced the gearing ratio, enlarged the capital base and enhanced the net asset position of the Group.

Capital Reduction

During the second half of the Year, the Company has cancelled around 470.7 million out of the 1.3 billion convertible preference shares (the "**CPS**") previously issued to Grand Beauty. Following the cancellation of such CPS, a credit of capital reduction reserve account of around HK$1,412.0 million arose and was applied to set off against the accumulated losses of the Company of around HK$1,228.2 million as at 31 December 2016. Further, subsequent to the Year end, in January 2018, our Company further announced the cancellation of around 43.3 million CPS held by Grand Beauty, the implementation of which is subject to fulfillment of certain conditions precedent. If such further CPS cancellation becomes effective, a further credit of capital reduction reserve account of the Company of around HK$130.0 million will arise, which can be applied to set off against any accumulated loss of the Company with the remaining credit reserve following such set-off becoming available for distribution to our shareholders in the future when appropriate. The details of such further CPS cancellation are set out in the Company's announcement dated 28 January 2018 and circular dated 28 February 2018.

The above mentioned capital reduction, so as to eliminate the accumulated losses of the Company, would enable the Company to have a greater flexibility in exploring and determining its dividend policy, improve its financial position and capital structure which will in turn improve the Company's general credit rating and hence enable the Company to negotiate for better financing terms in the future, and enhance the confidence of the potential investors and business partners in the prospects of our Group, paving the way for the Company to negotiate for better commercial terms for future projects. The further expansion and growth of the Group's business will in turn generate positive benefits and create value in the medium to long term for our shareholders.

MARKET OUTLOOK AND DEVELOPMENT PROSPECTS

With the unemployment rate returning to pre-crisis level, despite of political uncertainties, the global economy was on the rising trajectory in 2017. We expect the growth will continue to accelerate, with pockets of opportunities and challenges, in the coming year, due to the strengthening global demand, encouraging fiscal stimulus as well as the cautious stand of the policymakers. We stay positive on the U.S. economy with expectation on moderate economic growth, especially with the proposed U.S. tax reform and infrastructure policy, which may lead a further boost of growth for the U.S. economy as well as in the global market.

Given the fact that U.S. real estate market continues to differentiate between cities and submarkets, and workforce and family behaviors and preference changes as a result of the evolving technologies, the focus will be on very in-depth local market knowledge and analysis, changing investment strategy according to local market trends, as well as active project management, which is exactly what our local asset management platform – GR Realty– is expertise in, with their well-established local track record and network and market knowhow. Such increasingly challenging investment environment also provides fertile conditions for companies like GR Realty with active real estate investment management strategy. Leveraging on the expertise of GR Realty, we aim to more efficiently capture sound business opportunities in the U.S., enhance the local reputation, and expand the asset management scale.

Chairman's Statement

Further, under the backdrop of a synchronized global economy upswing, we will still keep close attention on other core overseas markets, so as to take timely steps when good opportunities arise and when current business develops into a more solid stage.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to all shareholders, business partners and bank enterprises for their great support and to our dedicated staff at all levels for their commitment and valuable contributions over the past year. With the continuous support from our controlling shareholder, Sino-Ocean, we will continue to forge ahead and accelerate our growth and development in the future.

LI Ming
Honorary Chairman

Hong Kong, 28 February 2018

FINANCIAL REVIEW

Revenue

During 2017, our Group recorded a total revenue of approximately HK$55.6 million (2016: approximately HK$83.1 million). Decrease in revenue was mainly attributable to the combined effect of: (i) the decrease in dividend income received (other than dividend attributable to financial instruments held for trading) by approximately HK$42.7 million to approximately HK$16.4 million in 2017 because the independent investment manager of our fund investments decided to retain the capital resources to invest in the rally securities market during the Year so as to capture maximum return to the fund investments; and (ii) the increase in rental revenue by approximately HK$14.9 million to approximately HK$36.6 million for the Year as a result of our acquisition of an investment property in the U.S. in the second half of 2016 which contributed to a full year of rental income recorded during 2017.

The following table sets forth our Group's revenue breakdown for 2017 and 2016:

	2017	2016
	HKD'000	HKD'000
Rental revenue	**36,556**	21,678
Dividend income	**19,009**	61,419
	55,565	83,097

Share of results of joint ventures

Gain arising from share of results of joint ventures of approximately HK$12.1 million (2016: a loss of approximately HK$86.2 million) was recorded during the Year, which was attributable to the share of profit in our U.S. real estate fund platform – GR Realty. The uneven development between cities and submarkets in the U.S. real estate market, with market valuation of certain properties in core cities and submarkets increase while those in non-core cities and submarkets decrease, has neutralized the performance of GR Realty during the Year. Significant loss recorded during 2016 was as a result of share of loss of a joint venture group, of which the entire interest held in such group was disposed of in 2016, so as no effect during the Year.

Finance Cost

Finance costs decreased significantly from approximately HK$248.4 million to approximately HK$88.4 million mainly because in May 2017, the Company issued a perpetual bond to replace the Shareholder's Loan as elaborated further in the paragraph headed "Issue of the Perpetual Bond" below. The issue of such perpetual bond has resulted in a substantial decrease in non-cash imputed interest expense relating to the Shareholder's Loan from approximately HK$186.1 million in 2016 to approximately HK$57.1 million for the Year.

Loss attributable to owners of the Company

Loss attributable to owners of the Company improved from loss of approximately HK$253.4 million in 2016 to loss of approximately HK$87.0 million for the Year. Consequently, our Group recorded basic losses per ordinary share of approximately 0.19 HK dollar in 2017 versus basic losses per ordinary share of approximately 0.56 HK dollar in 2016. Our management will continue to focus on the improvement of our shareholders' return as their on-going principal task, and explore and execute measures to improve the Company's financial position as elaborated further in the paragraph headed "Capital Reduction involving Cancellation of Convertible Preference Shares and Elimination of Accumulated Losses" below.

Issue of the Perpetual Bond

On 31 May 2017, the Company and Grand Beauty entered into a subscription agreement pursuant to which the Company agreed to issue and Grand Beauty agreed to subscribe for an unsecured perpetual bond in an aggregate principal amount of approximately HK$2,259.5 million (the "**Perpetual Bond**"), with the consideration payable by Grand Beauty having been satisfied by setting off against the entire outstanding principal amount of the shareholder's loan owed by the Company to Grand Beauty (the "**Shareholder's Loan**") and related interest accrued. The Perpetual Bond was issued on the same date as of 31 May 2017. As a result of this transaction, the principal amount of the Shareholder's Loan together with interest accrued thereon as at 31 May 2017 of approximately HK$2,259.5 million in total has been derecognised as the liability of the Company whilst the Perpetual Bond recognised as the equity of the Company. The Perpetual Bond confers a right to the holder to receive distribution at 0.01% per annum on the principal amount and has no fixed redemption date. The details of this transaction are set out in the Company's announcement dated 1 June 2017 and circular dated 13 June 2017.

Capital Reduction involving Cancellation of Convertible Preference Shares and Elimination of Accumulated Losses

On 31 May 2017, Grand Beauty executed a deed of cancellation in favour of the Company pursuant to which Grand Beauty agreed to the proposed implementation of a capital reduction of the Company (the "**Capital Reduction**") involving the cancellation of around 470.7 million convertible preference shares previously issued by the Company to Grand Beauty, representing approximately 36.2% of all the convertible preference shares then in issue by the Company. A credit of approximately HK$1,412.0 million has arose from the Capital Reduction and been transferred to a capital reduction reserve account of the Company, and such credit has been applied to set off against the accumulated losses of the Company of approximately HK$1,228.2 million standing in its accounts as at 31 December 2016, with the remaining credit balance of approximately HK$183.8 million following such set-off being available for set-off first against any subsequent losses of the Company arising after 31 December 2016, and any credit balance thereafter, if any, can then be distributed as dividend to the shareholders of the Company when Directors consider appropriate in the future. The details of this transaction are set out in the Company's announcement dated 1 June 2017 and circular dated 13 June 2017.

Financial Resources and Liquidity

As at 31 December 2017, the principal amount of our total borrowings significantly decreased to approximately HK$500.0 million (2016: approximately HK$2,745.5 million), which represented term loan borrowing from a bank with average interest rate 2.08% per annum and repayable as to 10% in 2018 and the remaining in 2019. Such significant decrease was a result of the issue of the Perpetual Bond to replace the Shareholder's Loan as elaborated above. Apart from the above, our Group did not have any other interest-bearing debt as at 31 December 2017.

The net gearing ratio of our Group is calculated based on total borrowings less cash resources divided by total shareholders' equity. As at 31 December 2017, total cash resources (including bank balances and cash and short-term bank deposits) of our Group amounted to approximately HK$1,514.8 million (2016: approximately HK$1,121.4 million) which is sufficient to pay off all borrowings of the Group with a principal amount of approximately HK$500.0 million as at 31 December 2017. Therefore, the Group did not have any gearing on a net debt basis as at 31 December 2017 as compared with a net gearing ratio of 24% as at 31 December 2016.

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

Financial Guarantees

As at 31 December 2017 and 31 December 2016, our Group did not have any financial guarantees given for the benefit of third parties.

Pledged Assets

As at 31 December 2017 and 31 December 2016, our Group did not have any pledged assets.

OPERATION REVIEW

During the Year, our Group adhered to the philosophy of value investment and actively optimising 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

GR Realty, in which our Group has 45% membership interests, acts as a jointly controlled and managed investment platform of our Group to invest in real estate projects in the U.S. As at 31 December 2017, GR Realty was principally engaged in the ownership and/or management of its investment portfolio comprising 59 commercial properties, representing 95 buildings, with approximately 12.3 million square feet in 20 states across the U.S. During the Year, our Group shared a profit of approximately HK$12.1 million. During the Year, GR Realty proactively refined its business focus with an aim to capture the

Management Discussion & Analysis

coming investment opportunities, and recorded a decrease in market valuation of certain properties in non-core cities and submarkets whilst an increase for those in core cities and submarkets as a result of the uneven development between cities and submarkets in the U.S. real estate market. During the Year, our Group received dividend of approximately HK$37.1 million (2016: HK$24.8 million), representing an increase of approximately 49.6%, from GR Realty and certain syndicated projects controlled by GR Realty. As at 31 December 2017, our interest in GR Realty, together with interest in certain syndicated projects controlled by GR Realty, amounted to approximately HK$967.0 million.

Our Group is able to leverage on GR Realty's solid experience and good relationship of its senior management team with an aim to capture the growth in the U.S. property market and strengthen our Group's presence therein proactively, as well as diversifying our investment in fund platform business and property investment portfolio 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.

Property Investments and development

The recognised rental income of our Group during the Year increased by 68.7% to approximately HK$36.6 million, which was mainly attributable to our acquisition of an office building in the U.S. in the second half of 2016, with full year rental income recorded during the Year. Revaluation gain of the Group's investment properties of approximately HK$22.1 million was recorded (2016: approximately HK$28.4 million). As at 31 December 2017, our Group held investment properties comprising A-grade office premises in Hong Kong and the U.S. with gross floor area of approximately 16,000 square feet and 146,000 square feet respectively, and residential units in New York with gross floor area of approximately 17,000 square feet. The office premises and the residential units had an aggregate occupancy rate of approximately 88.6% as at 31 December 2017.

In addition, in April 2017, our Group completed the acquisition of two buildings adjacent to each other that are located at a prime location on Sixth Avenue of Manhattan, New York, at a total cash consideration of approximately US$53.0 million. The demolition of the two buildings of gross floor area of approximately 18,000 square feet is expected to start in the first half of 2018. The Group has submitted a redevelopment plan of gross floor area of approximately 80,000 square feet for the site of the two buildings, aiming to redevelop the site as a mixed-use residential development. The development sits at the crossroads between Chelsea, West Village and Union Square, with well connection to other areas through various metro lines and trains nearby. The Group will target to structure unique product types in this pilot development site with splendid amenities.

Fund Investments

During the Year, no dividend income was received by our Group from fund investments (2016: HK$59.1 million). The decrease is due to the decision of the independent investment manager of our fund investments to retain capital resources to invest in rally securities market during the Year so as to maximise the investment return of the fund investments. Apart from other movement, an increase of approximately HK$98.0 million in fair value of fund investments was recorded in other comprehensive income for the Year due to upswing global capital market (2016: a decrease in fair value of approximately HK$5.3 million). Our fund investment portfolio, classified as available-for-sale investments, recorded carrying value of approximately HK$2,213.1 million as at 31 December 2017 (2016: approximately HK$2,115.1 million). Through fund investments, our Group aims 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.

Securities and Other Investments

During the Year, our Group recorded a loss arising from changes in fair value of financial instruments held for trading of approximately HK$1.6 million due to volatile global capital market during the Year (2016: a gain of approximately HK$6.0 million), and dividend income from securities and other investments of approximately HK$2.6 million (2016: approximately HK$2.3 million) and HK$16.4 million (2016: Nil), respectively.

As at 31 December 2017, our securities investment portfolio mainly consisted of investment in listed securities in Hong Kong and in overseas of approximately HK$45.7 million (2016: Nil) and HK$222.1 million (2016: HK$160.3 million), respectively. Securities investment forms part of our Group's cash management activities and we maintain a scalable investment portfolio with proper diversification to avoid the fluctuation of any single market.

Employees

As at 31 December 2017, the total number of staff employed was 26 (2016: 23). During 2017, the level of our overall staff costs was approximately HK$31.5 million (2016: approximately HK$17.5 million). The increase is mainly in line with the achievement obtained during the Year.

With a view to encouraging and rewarding contribution made by our staff, our Group has adopted a share option scheme and believes that this will be an effective tool for achieving this purpose. 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 2017, our Group had no significant contingent liabilities.

Management Discussion & Analysis

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 26 January 2018, the Company entered into a second deed of cancellation with Grand Beauty for the implementation of the proposed capital reduction involving the cancellation of 43,333,334 convertible preference shares held by Grand Beauty, which represented approximately 5.23% of all the convertible preference shares of the Company in issue as at 31 December 2017. The implementation of the proposed capital reduction is subject to fulfillment of certain conditions precedent. If such proposed capital reduction becomes effective, a credit in the amount of HK$130,000,002 in the capital reduction reserve account of the Company will arise and be available to set off against any accumulated losses of the Company and/or to make distribution to its shareholders in the future when appropriate. Details of the transaction are set out in the announcement of the Company dated 28 January 2018 and circular dated 28 February 2018.

On 26 January 2018, the Company also entered into a second supplemental deed with Grand Beauty, pursuant to which the parties conditionally agreed to amend certain terms of the convertible preference shares of the Company (the "**CPS**"), which include: (i) acceleration of the commencement of the conversion period of the CPS such that it will commence on the first business day immediately after the proposed amendments become effective under the terms of the second supplemental deed; (ii) increase of the conversion price of the CPS from HK$3 to HK$6 (subject to adjustments); and (iii) adjustment to the dividends payable on the CPS from a non-cumulative floating rate per annum to a fixed rate of 3% per annum. Furthermore, if the Company should issue, at any time on or before (and including) 30 June 2018, any new shares or convertible securities of the Company to any person other than a person who is a CPS holder on the date of such new issuance (the "**New Issuance**"), the conversion price shall be reduced, concurrently with and effective from the completion of the New Issuance, to HK$3, provided that: (i) such conversion price shall only be HK$3 in respect of such number of CPS (in such integral multiple) (the "**Adjusted CPS**") which will enable the converting shareholder to increase its shareholding to no less than, but closest to, its equity shareholding (excluding its shareholding in any CPS) in the Company (taking into account the New Issuance and any outstanding convertible and/or exchangeable securities of the Company (other than the CPS) on an as converted and fully dilutive basis) immediately before completion of the New Issuance; and (ii) the number of Adjusted CPS shall not exceed 203,466,429.

The proposed amendments constituted a connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, (the "**Listing Rules**") and is subject to, amongst others, approval by the independent shareholders of the Company and in respect of the amendments of the terms of the CPS, the listing approval by The Stock Exchange of Hong Kong Limited. Details of the transaction are set out in the announcement of the Company dated 28 January 2018 and circular dated 28 February 2018.

On 26 February 2018, Vital Harvest Global Limited ("**Vital Harvest**"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with GR Realty pursuant to which Vital Harvest has conditionally agreed to acquire 100% equity interest of 600 Clipper GP Partner A LLC (the "**GP Partner A**"), being the general partner of a partnership namely 600 Clipper Investment Partnership LP (the "**Investment Partnership**") which indirectly owns and manages an office campus located in California, the U.S, at a consideration of US$945 (the "**Acquisition**"). On the same date, 600 Clipper SPV LLC ("**SPV LLC**"), another wholly-owned subsidiary of the Company, has also entered into an assignment agreement with a wholly-owned subsidiary of GR Realty, pursuant to which SPV LLC has conditionally agreed to accept the assignment of 19.5% limited partner interest of the Investment Partnership at a consideration of US$7,383,635 (the "**Assignment**"). Both the acquisition agreement and the assignment agreement are inter-conditional. Upon the completion of such acquisition and assignment, the GP Partner A and its subsidiaries (including the Investment Partnership) (collectively known as the "**Target Group**") will be accounted for as subsidiaries of the Group and the accounts of the Target Group will be consolidated into those of the Company. The Acquisition and the Assignment, when aggregated, constitute a major transaction for the Company under Chapter 14 of the Listing Rules which is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. Details of the transaction are set out in the announcement of the Company dated 26 February 2018.

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 promotes 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 recognises 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.

Management Discussion & Analysis

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.

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 and Renminbi ("**RMB**"), in view of the potential RMB exchange rate fluctuation, 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.

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 and the performance of the fund managers for our invested funds, which would not be mitigated even with careful and prudent investment strategy and strict control procedures.

Joint Venture Partners Risk

Some of the businesses of our Group are or may be 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.

Management Discussion & Analysis

Risks Pertaining to the Property Markets in the U.S. and Hong Kong

A substantial part of our property portfolio is located in the U.S. and Hong Kong. As a result, general state of the economy and the property market, legislative and regulatory changes, government policies and political conditions, interest rate changes, labour market conditions, and availability of financing in the U.S. and Hong Kong may have a significant impact on our operating results and financial conditions. For instance, profitability of property development business may be affected due to deteriorating economic conditions or intense competition from other developers and property owners. The government may introduce property cooling measures from time to time, which may have a significant bearing on the property market.

Biographies of Directors and Senior Management

BOARD OF DIRECTORS

Mr. LI Ming, aged 54, 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 the chairman of the board of directors, an executive director, the chief executive officer, the chairman of the nomination committee and the chairman of the investment committee of Sino-Ocean, a controlling shareholder of the Company and listed on the Main Board of the Stock Exchange (stock code: 3377). Mr. LI joined the group of Sino-Ocean as a general manager in July 1997, became the chief executive officer in August 2006, and became the chairman of the board of Sino-Ocean in March 2010. Mr. LI also serves as the chairman, legal representative, director or general manager of a number of subsidiaries and project companies of Sino-Ocean. With extensive experience in corporate governance, property development and investment and listed companies management, Mr. LI is primarily engaged in Sino-Ocean's overall operations management and the implementation of development strategies. Mr. LI is currently a member of the 13th National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**"), the vice-president of the China Real Estate Association and a director of the Commercial and Tourism Real Estate Professional Committee. Mr. LI was a member of the 10th and 11th Beijing Municipal Committee of the CPPCC, a deputy to the 13th, 14th and 15th Chaoyang District People's Congress of Beijing City, and an advisory expert in real estate market regulatory decisions for the Ministry of Housing and Urban-Rural Development. Mr. LI obtained a Bachelor of Engineering Degree in Motor Vehicle Transportation from the Jilin Industrial University in July 1985; graduated from the Law School of the Graduate School of Chinese Academy of Social Sciences in April 1996 majoring in civil law; and graduated from China Europe International Business School, obtained a Master's Degree in Business Administration in May 1998. He is also a member of The Chartered Institute of Building in the United Kingdom and a qualified senior engineer.

Mr. SUM Pui Ying, Adrian, aged 56, has been appointed as an executive Director and chief executive officer of the Company since 9 August 2013. Currently, he is also a member of the nomination committee and the chairman of the investment committee of the Board. Mr. SUM joined the Group in 2011. He is currently an executive director and the chief financial officer of Sino-Ocean. Mr. SUM also serves as the legal representative and a director of a number of subsidiaries and project companies of Sino-Ocean. He joined Sino-Ocean Group in May 2007. Mr. SUM is primarily engaged in overall operations management of Sino-Ocean, responsible for overseas business development of Sino-Ocean Group and supervising the overall work of the Company. He is currently a director and the honorary treasurer and finance committee chairman of the executive committee of China Real Estate Chamber of Commerce Hong Kong and International Chapter Limited. 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.

Biographies of Directors and Senior Management

Mr. LAI Kwok Hung, Alex, aged 53, has been appointed as an executive Director and a member of the investment committee of the Board since 9 August 2013. He is currently the deputy managing director of the Company and is responsible for the business development of the Group. Mr. LAI is also a director of various subsidiaries of the Company. Mr. LAI has over 28 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. Mr. LAI has also been an associate member of Urban Land Institute since May 2017 and a member of The American Chamber of Commerce in Hong Kong since October 2017. He is also the real estate fund group's convener of China Real Estate Chamber of Commerce Hong Kong and International Chapter Limited. He has been an independent non-executive director and the chairman of the audit and risk management committee of SG Group Holdings Limited (a company listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange, stock code: 8442) since March 2017. Mr. LAI 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.

Mr. LI Hongbo, aged 50, has been appointed as a non-executive Director since 22 October 2010. He is currently an executive director, a member of the investment committee of the board of directors and the vice president of Sino-Ocean, as well as the general manager of the asset management centre of Sino-Ocean. He has been the general manager of the finance department of Sino-Ocean Land Limited since 2006, a wholly-owned subsidiary of Sino-Ocean. Having been the assistant to the chief executive officer of Sino-Ocean since 2015, he also serves as a director of a number of subsidiaries and project companies of Sino-Ocean. Mr. LI has over 20 years of experience in accounting. Mr. LI mainly engages in Sino-Ocean's overall operations management, is responsible for financial management tasks of Sino-Ocean, and orchestrates Sino-Ocean's asset management tasks. Mr. LI obtained a Bachelor of Engineering Degree from Xi' an Highway Institute (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 and Senior Management

Mr. TANG Runjiang, aged 49, has been appointed as a non-executive Director since 1 March 2018. He is currently the general manager of the financial management centre of Sino-Ocean. Mr. TANG is mainly responsible for financial management and supervising the work of the financial management centre of Sino-Ocean Group. Mr. TANG has extensive experience in corporate finance management and is familiar with the governance rules of listed companies in the Mainland and Hong Kong. During the period from 1991 to 2018, Mr. TANG served as the manager of the treasury department of planning and finance division (finance and capital division) and the deputy general manager of the finance and capital division (the finance division) of China Ocean Shipping (Group) Company, the deputy chief accountant and the chief accountant of COSCO Bulk Carrier Co., Ltd., the chief accountant of China COSCO Bulk Shipping (Group) Co., Ltd., the general manager of the finance division of COSCO Group and the general manager of the finance division and the chief financial officer of China COSCO Holdings Company Limited and the senior director of business development of Paul Hastings in Hong Kong. Mr. TANG served as an executive director of COSCO SHIPPING Ports Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1199) during the period from March 2013 to July 2016. Mr. TANG obtained a Bachelor of Economics Degree (major in accounting) from Central University of Finance and Economics in 1991 and a Master's Degree in Business Administration from the China Europe International Business School in 2014.

Mr. LAW Tze Lun, aged 46, 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. 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 24 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; National Investments Fund Limited (stock code: 1227) since December 2013 (both of which are listed on the Stock Exchange) and Tak Lee Machinery Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8142) since July 2017. In 1999, Mr. LAW obtained a Bachelor of Commerce (Accounting) from Curtin University of Technology in Australia through distance learning.

Biographies of Directors and Senior Management

Mr. LO Woon Bor, Henry, aged 54, 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. With over 25 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 Hong Kong-listed publication conglomerate from 1998 to 1999. He regularly proffers advice to companies and institutions with regard to civil and commercial subjects and practice. 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.

Mr. DENG Wei, aged 54, 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, mainly responsible for prospecting equity investment opportunities in the PRC real estate market. He has 25 years of professional experience in the telecommunications industry, the finance industry, and real estate investments with operating expertise in general business management and private equity business. Over the past 17 years, Mr. DENG has established an extensive deal sourcing and financing network with investment banks, real estate developers and operators, real estate brokers and other intermediaries in both the Greater China Region and the U.S. Mr. DENG holds a Bachelor of Science Degree and a Master's Degree in Economics from Tsing Hua University in the PRC and a Master's Degree in Science (Engineering and Public Policy) from Carnegie-Mellon University in the U.S..

SENIOR MANAGEMENT

Ms. LAM Yee Lan

Ms. LAM Yee Lan, ("**Ms. LAM**"), aged 33, joined a joint venture of the Group in 2014 and subsequently joined the Group in 2017. Ms. LAM is the Financial Controller of the Company and director of a number of subsidiaries of the Company. Ms. LAM is a member of Hong Kong Institute of Certified Public Accountants. She holds a Bachelor Degree in Business Administration (Accounting) from The Hong Kong University of Science and Technology. Ms. LAM is mainly responsible for the financial management of the Company. She has 10 years of experience in accounting, financial analysis and asset management.

Ms. WANG Xi

Ms. WANG Xi, ("**Ms. WANG**"), aged 32, joined the Group in 2012. Ms. WANG is the Investment Director of the Company and director of a number of subsidiaries of the Company. Ms. WANG is a Chartered Financial Analyst and a member of Hong Kong Institute of Certified Public Accountants. She holds a Bachelor Degree in Business Administration in Accounting and Finance from the University of Hong Kong and a Master Degree of Science in Financial Analysis from Hong Kong University of Science and Technology. Ms. WANG is mainly responsible for the investment and financing matters of the Company. She has 10 years of experience in financial analysis, advising and investment.

Biographies of Directors and Senior Management

COMPANY SECRETARY

Ms. YUE Pui Kwan

Ms. YUE Pui Kwan, ("**Ms. YUE**"), aged 42, joined the Group in 2013. Ms. YUE is the Company Secretary of the Company. Ms. YUE is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a Bachelor Degree in Business Administration from the University of Hong Kong and a Master Degree in Corporate Communications from the Chinese University of Hong Kong. Ms. YUE has more than 15 years of experience in corporate governance and company secretarial matters.

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 2017 (the "**Year**").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in investment in fund platform, fund investments, property investment and development and securities investment businesses. The principal activities of its subsidiaries are set out in Note 36 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 67 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 2017 is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on pages 3 to 6 and pages 7 to 16 of this annual report.

SHARE CAPITAL

On 31 May 2017, Grand Beauty Management Limited ("**Grand Beauty**"), an indirect wholly-owned subsidiary of our controlling shareholder, Sino-Ocean Group Holding Limited ("**Sino-Ocean**"), executed a deed of cancellation in favour of the Company pursuant to which Grand Beauty agreed to the proposed implementation of a capital reduction of the Company involving the cancellation of 470,666,666 convertible preference shares ("**CPS**") (representing approximately 36.21% of all the CPS in issue as at the date of such deed of cancellation) held by Grand Beauty (the "**2017 Capital Reduction**"). As all of the conditions of the 2017 Capital Reduction were fulfilled on 10 August 2017, the 2017 Capital Reduction became effective on the same day and 470,666,666 CPS were cancelled. At the end of the Year, there remained 829,333,334 CPS of the Company outstanding.

ISSUE OF THE PERPETUAL BOND

On 31 May 2017, the Company and Grand Beauty entered into a subscription agreement pursuant to which the Company agreed to issue and Grand Beauty agreed to subscribe for an unsecured perpetual bond in an aggregate principal amount of approximately HK$2,259.5 million (the "**Perpetual Bond**"). The Perpetual Bond was issued on the same date of 31 May 2017.

The Perpetual Bond confers a right to receive distribution at 0.01% per annum on the principal amount and has no fixed redemption date. The Company may elect to cancel or defer (in whole or in part) any distribution accrued on the Perpetual Bond at its sole and absolute discretion. The Company may elect to redeem (in whole but not in part) the Perpetual Bond at 100% of the outstanding principal amount, together with any distribution accrued thereon, on the date falling 10 years after the date of issue of the Perpetual Bond (the "**First Call Date**") or any distribution payment date after the First Call Date. The Perpetual Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and ranks in priority over any ordinary shares or convertible preference shares of the Company in respect of any payment in the event of liquidation, dissolution or winding up (whether voluntary or involuntary) of the Company.

The consideration payable by Grand Beauty to the Company for the subscription of the Perpetual Bond has been satisfied by setting off against the entire outstanding principal amount of shareholder's loans owed by the Company to Grand Beauty (the "**Shareholder's Loan**") and related interests accrued thereon as at the date of issue of the Perpetual Bond in an aggregate amount of approximately HK$2,259.5 million.

As disclosed in the Company's 2016 annual report, the Group had recorded accumulated losses and incurred significant finance costs on the Shareholder's Loan. In light of the above, the Group has been actively seeking for ways to improve its financial position and optimise its capital structure. Such issue of the Perpetual Bond effectively reduced the gearing ratio, enlarged the capital base and enhanced the net asset position of the Group.

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 & PROPERTIES UNDER DEVELOPMENT

All of the investment properties of the Group were revalued at 31 December 2017, as set out in Note 15 to the consolidated financial statements of the Group.

Properties under development of the Group at 31 December 2017 are set out in Note 20 to the consolidated financial statements of the Group.

Particulars of the investment properties and properties under development of the Group as at 31 December 2017 are set out in "Details of Investment Properties" and "Details of Properties Under Development" respectively 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.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's distributable reserves, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**"), amounted to approximately HK$223.9 million (31 December 2016 : Nil). Details of the movement in the reserves of the Group and the Company during the Year are set out in Note 26 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)
CUI Yueming (ED) (resigned with effect from 1 March 2018)
LAI Kwok Hung, Alex (ED)
LI Hongbo (NED)
LAW Tze Lun (INED)
LO Woon Bor, Henry (INED)
DENG Wei (INED)

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, Mr. SUM Pui Ying, Mr. LAI Kwok Hung, Alex and Mr. DENG Wei, 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.

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors (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 respectively headed "Share Capital" and "Issue of the Perpetual Bond" above and the section headed "Continuing Disclosure Requirements Under Rule 13.21 of Chapter 13 of the Listing Rules" below, and balance of the related parties, the borrowings of the Group and the related party transactions of the Group as disclosed in Notes 21, 24 and 34 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) 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 Company. The level of the coverage is reviewed annually.

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

As at 31 December 2017, 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 ordinary shares of the Company (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 2017 were as follows:

Name of Directors	Capacity	Date of grant	Exercise period	Number of Shares over which options are exercisable as at 31 December 2017	Exercise price per Share HK$	Approximate percentage of interest in the issued Shares as at 31 December 2017
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)	0.96	3.548%
			Total:	18,000,000 (L)		3.991%

Name of Directors	Capacity	Date of grant	Exercise period		Number of Shares over which options are exercisable as at 31 December 2017	Exercise price per Share HK$	Approximate percentage of interest in the issued Shares as at 31 December 2017
CUI Yueming (resigned with effect from 1 March 2018)	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%

Note:

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

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

As at 31 December 2017, the interests of the Directors in the shares of Sino-Ocean (being the associated corporation of the Company) were as follows:

Name of Directors	Capacity		Number of shares in Sino-Ocean		Approximate percentage of interest in the issued share capital of Sino-Ocean as at 31 December 2017
LI Ming	Beneficial owner		3,127,000 (L)		0.041%
	Founder of discretionary trust		127,951,178 (L)	(Note 1)	1.691%
	Beneficiary of trust		11,730,874(L)	(Note 2)	0.155%
		Total	142,809,052 (L)		1.888%
SUM Pui Ying	Beneficial owner		2,557,351(L)		0.034%
CUI Yueming (resigned with effect from 1 March 2018)	Beneficial owner		197,135 (L)		0.003%
LI Hongbo	Beneficial owner		215,371 (L)		0.003%

Notes:

1. The 127,951,178 shares in Sino-Ocean are held by a discretionary trust of which Mr. LI Ming is a founder.

2. The 11,730,874 shares in Sino-Ocean 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.

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

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

One of the schemes is the restricted share award scheme adopted by Sino-Ocean on 22 March 2010 (the "**Adoption Date**") as an incentive to retain and encourage the employees of the Sino-Ocean Group for the continual operation and development of the Sino-Ocean Group. Pursuant to the restricted share award scheme, shares up to 3% of the issued share capital of Sino-Ocean as at the Adoption Date may be purchased by the trustee from the market out of cash contributed by the Sino-Ocean 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.

The other scheme is the share option scheme of Sino-Ocean which was adopted by shareholders' written resolution of Sino-Ocean dated 3 September 2007 (the "**2007 Share Option Scheme**"), under which share options may be granted to eligible directors and employees of the Sino-Ocean Group to subscribe for new shares in Sino-Ocean. The 2007 Share Option Scheme had expired in September 2017. This scheme was adopted for the purpose of providing an incentive for employees and directors of the Sino-Ocean Group to work with commitment towards enhancing the value of Sino-Ocean and to compensate employees of the Sino-Ocean Group for their contribution based on their individual performance. Although the 2007 Share Option Scheme has expired, the share options already granted under such scheme before its expiration remained valid.

Directors' Report

In respect of the restricted share award scheme of Sino-Ocean, 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 (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 2017 were as follows:

Name of Directors	Capacity	Date of grant		Number of shares in Sino-Ocean awarded but not yet vested as at 31 December 2017	Approximate percentage of interest in the issued share capital of Sino-Ocean as at 31 December 2017
LI Ming	Beneficial owner	18 March 2015		201,626 (L)	0.003%
		25 March 2016		701,700 (L)	0.009%
		31 March 2017		2,280,000 (L)	0.030%
			Total	3,183,326 (L)	0.042%
SUM Pui Ying	Beneficial owner	18 March 2015		72,585 (L)	0.001%
		25 March 2016		246,564 (L)	0.003%
		31 March 2017		680,000 (L)	0.009%
			Total	999,149 (L)	0.013%
CUI Yueming (resigned with effect from 1 March 2018)	Beneficial owner	18 March 2015		8,066 (L)	less than 0.001%
		25 March 2016		36,714 (L)	less than 0.001%
		31 March 2017		180,000 (L)	0.002%
			Total	224,780 (L)	0.003%
LI Hongbo	Beneficial owner	18 March 2015		8,066 (L)	less than 0.001%
		25 March 2016		61,164 (L)	0.001%
		31 March 2017		180,000 (L)	0.002%
			Total	249,230 (L)	0.003%

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

Regarding the share option scheme adopted by Sino-Ocean, the following Directors had been granted share options under the 2007 Share Option Scheme to subscribe for shares in Sino-Ocean and were accordingly regarded as interested in the underlying shares of Sino-Ocean (being the associated corporation of the Company) pursuant to the provisions of the SFO. Details of the share options of Sino-Ocean held by them under the 2007 Share Option Scheme as at 31 December 2017 were as follows:

Name of Directors	Capacity	Date of grant of share options	Exercise period (Note 4)	Number of shares in Sino-Ocean over which options are exercisable as at 31 December 2017	Exercise price per share HK$	Approximate percentage of interest of such share options held as at 31 December 2017 relative to the issued share capital of Sino-Ocean as at 31 December 2017
LI Ming	Beneficial owner	27 August 2015	(Note 1)	1,800,000 (L)	4.04	0.024%
		13 April 2016	(Note 2)	20,000,000 (L)	3.80	0.264%
				Total 21,800,000 (L)		0.288%
SUM Pui Ying	Beneficial owner	27 August 2015	(Note 1)	800,000 (L)	4.04	0.011%
		13 April 2016	(Note 2)	5,000,000 (L)	3.80	0.066%
				Total 5,800,000 (L)		0.077%
CUI Yueming (resigned with effect from 1 March 2018)	Beneficial owner	27 August 2015	(Note 1)	135,000 (L)	4.04	0.002%
		13 April 2016	(Note 2)	2,800,000 (L)	3.80	0.037%
		24 August 2017	(Note 3)	1,000,000 (L)	4.70	0.013%
				Total 3,935,000 (L)		0.052%
LI Hongbo	Beneficial owner	27 August 2015	(Note 1)	700,000 (L)	4.04	0.009%
		13 April 2016	(Note 2)	4,000,000 (L)	3.80	0.053%
		24 August 2017	(Note 3)	2,000,000 (L)	4.70	0.026%
				Total 6,700,000 (L)		0.089%

Notes:

1. Exercisable from 27 August 2016 to 26 August 2020.

2. Exercisable from 13 April 2017 to 12 April 2021.

3. Exercisable from 24 August 2018 to 23 August 2022.

4. All the above share options of Sino-Ocean 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.

5. The letter "L" denotes a long position in the shares in Sino-Ocean.

As at 31 December 2017, 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 36,510,000 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.

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:

			Number of Shares over which options are exercisable						
	Date of grant	Exercise price per Share HK$	Balance as at 1 January 2017	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31 December 2017	Exercise period
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)	–	–	–	–	16,000,000 (L)	9 August 2013 – 22 June 2021
CUI Yueming (resigned with effect from 1 March 2018)	9 March 2015	1.27	790,000 (L)	–	–	–	–	790,000 (L)	9 March 2015 – 22 June 2021
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	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

	Date of grant	Exercise price per Share HK$	Number of Shares over which options are exercisable: Balance as at 1 January 2017	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31 December 2017	Exercise period
Employees of the Group	26 August 2011	1.40	1,300,000 (L)	–	–	900,000 (L)	–	400,000 (L)	26 August 2011 – 22 June 2021
	9 August 2013	0.96	5,820,000 (L)	–	–	–	–	5,820,000 (L)	9 August 2013 – 22 June 2021
	9 March 2015	1.27	2,500,000 (L)	–	–	–	–	2,500,000 (L)	9 March 2015 – 22 June 2021
Total			37,410,000 (L)	–	–	900,000 (L)	–	36,510,000 (L)	

Note:

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 2017 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. LI Ming (Honorary Chairman and non-executive Director) has been appointed as a member of the 13th National Committee of the Chinese People's Political Consultative Conference with effect from 24 January 2018.

Mr. LI Hongbo (non-executive Director) has been appointed as vice president of Sino-Ocean with effect from 24 January 2018.

Mr. LAI Kwok Hung, Alex (executive Director) has been appointed as the Deputy Managing Director of the Company with effect from 1 March 2018.

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 2017, 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 2017
Sino-Ocean	Interest of controlled corporation (Note 2)	1,141,837,959 (L)	253.18%
Shine Wind Development Limited	Interest of controlled corporation (Note 2)	1,141,837,959 (L)	253.18%
Faith Ocean International Limited	Interest of controlled corporation (Note 2)	1,141,837,959 (L)	253.18%
Sino-Ocean Land (Hong Kong) Limited ("**SOL HK**")	Interest of controlled corporation (Note 2)	1,141,837,959 (L)	253.18%
Grand Beauty Management Limited ("**Grand Beauty**")	Beneficial owner	312,504,625 (L)	69.29%
	Beneficial owner	829,333,334 (L) (Note 1)	183.89%
		Total: 1,141,837,959 (L)	253.18%

Note:

1. These shares represent the 829,333,334 underlying Shares which may be allotted and issued to Grand Beauty, a wholly-owned subsidiary of Sino-Ocean, upon exercise in full of the conversion rights attaching to the remaining 829,333,334 non-voting convertible preference shares issued by the Company on 23 December 2014.

2. 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. 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 was deemed under the SFO to be interested in the 1,141,837,959 Shares in which Grand Beauty was interested.

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

Save as disclosed herein, as at 31 December 2017, 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 29.5% and 51.0% respectively of the Group's total turnover. The Group's principal businesses are investment in fund platform, property investment and development, fund investments, and securities and other investments, 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 30 August 2016 (the "**Facility Agreement**") was entered into between the Company (as borrower), Sino-Ocean (a controlling shareholder of the Company, as guarantor) and a licensed bank in Hong Kong (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 the date of the Facility Agreement. Pursuant to the Facility Agreement, each of the Company and Sino-Ocean shall ensure that Sino-Ocean 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

The transaction with parent and transactions with fellow subsidiaries as disclosed in "Related Party Transactions" under Note 34 to the consolidated financial statements of the Group constituted connected transactions or continuing connected transactions but are exempt from shareholders' approval and disclosure and other requirements under Chapter 14A of the Listing Rules. Save for the aforesaid transactions, the other related party transactions shown in Note 34 to the consolidated financial statements of the Group do not constitute connected transactions or continuing connected transactions under the Listing Rules.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of bank loans, overdrafts and other borrowings of the Group are set out in Note 24 to the consolidated financial statements of the Group.

SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in Note 36 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.

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 benefits scheme are set out in Note 33 to the consolidated financial statements of the Group.

Directors' Report

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 ordinary 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 year ended 31 December 2017 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, 28 February 2018

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 year ended 31 December 2017 (the "**Year**"), 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 Code Provisions A.2.7, A.6.7 and E.1.2.

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.

Non-executive Directors should attend general meetings of the Company under Code Provision A.6.7 and the Chairman of the Board should attend the annual general meeting of the Company under Code Provision E.1.2. Due to other pre-arranged business commitments which had to be attended, (i) Mr. LI Ming (being the honorary chairman of the Board and a non-executive Director) and Mr. LI Hongbo (being a non-executive Director) were unable to attend the annual general meeting of the Company held on 21 April 2017 (the "**AGM**") and the extraordinary general meeting of the Company held on 5 July 2017; and (ii) Mr. DENG Wei (being an independent non-executive Director) was unable to attend the AGM.

Corporate Governance Report

BOARD OF DIRECTORS

Board composition

As at 31 December 2017, 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.

During the Year, a total of five regular board meetings, one annual general meeting (the "**AGM**" which was held on 21 April 2017) and one extraordinary general meeting (the "**EGM**" which was held on 5 July 2017) of the Company were held. The individual attendance record of each Director at such meetings is tabulated as follows:

	Number of meeting attended /held		
	Board meetings	**AGM**	**EGM**
Directors			
Mr. LI Ming (NED) (Honorary Chairman)	0/5	0/1	0/1
Mr. SUM Pui Ying (ED) (Chief Executive Officer)	2/5	1/1	0/1
Ms. CUI Yueming (ED) (resigned with effect from 1 March 2018)	4/5	1/1	0/1
Mr. LAI Kwok Hung, Alex (ED)	5/5	1/1	1/1
Mr. LI Hongbo (NED)	2/5	0/1	0/1
Mr. LAW Tze Lun (INED)	5/5	1/1	1/1
Mr. LO Woon Bor, Henry (INED)	5/5	1/1	1/1
Mr. DENG Wei (INED)	3/5	0/1	1/1

Notes:

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

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.

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.

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** (note 1)
Mr. LI Ming	a, b
Mr. SUM Pui Ying	a, b
Ms. CUI Yueming (resigned with effect from 1 March 2018)	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. DENG Wei	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.

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 1 year commencing from 9 August 2017, 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.

The current service contract of Mr. SUM Pui Ying as an executive Director and Chief Executive Officer has a term of 1 year commencing from 9 August 2017, 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. SUM is HK$180,000 per annum.

The service contract of Ms. CUI Yueming as an executive Director has a term of 1 year commencing from 25 April 2017, 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 is HK$180,000 per annum. Ms. CUI resigned as an executive Director with effect from 1 March 2018.

The current service contract of Mr. LAI Kwok Hung, Alex as a executive Director has a term of 1 year commencing from 9 August 2017, 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 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 2018, 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.

Mr. TANG Runjiang was appointed as a non-executive Director with effect from 1 March 2018. His service contract with the Company as a non-executive Director has a term of 1 year commencing from 1 March 2018, 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. TANG is HK$180,000 per annum.

Mr. LAW Tze Lun and Mr. LO Woon Bor, Henry 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. DENG Wei was re-appointed as an independent non-executive Director for a term of 1 year commencing from 25 January 2018 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 is HK$180,000 per annum.

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, Mr. SUM Pui Ying, Mr. LAI Kwok Hung, Alex, and Mr. DENG Wei, 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 re-election.

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 Committee	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee
Directors				
Mr. LI Ming (NED)	—	—	C	—
Mr. SUM Pui Ying (ED)	—	—	M	C
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. DENG Wei (INED)	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

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.

	Number of meeting attended/held			
Board Committee	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Investment Committee**
Directors				
Mr. LI Ming (NED)	—	—	0/1	—
Mr. SUM Pui Ying (ED)	—	—	1/1	1/1
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. DENG Wei (INED)	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) reviewing and recommending the renewal of (i) the director's service contracts of Mr. LI Ming, Mr. SUM Pui Ying, Ms. CUI Yueming, Mr. LAI Kwok Hung, Alex and Mr. LI Hongbo; and (ii) the appointment letter of Mr. DENG Wei.

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.

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 (i) the director's service contracts of Mr. LI Ming, Mr. SUM Pui Ying, Ms. CUI Yueming, Mr. LAI Kwok Hung, Alex and Mr. LI Hongbo; and (ii) the appointment letter of Mr. DENG Wei.

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;

— 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.

In order to perform its duties, the Audit Committee is provided with sufficient resources and is empowered to examine all matters relating to the Group's adopted accounting principles and practices and to review all material financial, operational and compliance controls. 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 risk management and internal control systems.

The Audit Committee had performed the following work (in summary) for the Year:

— 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 61 to 66 of this annual report.

— The Audit Committee was required to ensure that the risk management and internal control systems of the Group were in place for identifying and managing risks. The Audit Committee had reviewed the risk management and internal control systems (which, for this purpose, also covered the environmental, social and governance risk management and internal control systems) of the Group and the effectiveness of the Group's internal audit function for the Year. The process used in such review includes discussions with management on risk areas identified by management and principal divisions of the Group, and review of findings and/or reports arising from internal and external audits. The Audit Committee reviewed and concurred with the management's confirmation that the Group's risk management and internal control systems were effective and adequate for the year ended 31 December 2017. The management's confirmation was endorsed by the Audit Committee and submitted to the Board.

— The Audit Committee reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions.

CORPORATE GOVERNANCE FUNCTIONS

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

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior officers of the Group;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the codes of conduct applicable to employees and the Directors; and

(e) 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 risk management and internal control systems of the Group through the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group ("**Senior Management**"). The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems as least annually, covering all material controls including financial, operational and compliance controls.

The Group has formulated and adopted Risk Management Policy in providing directions in identifying, evaluating and managing significant risks. At least on an annual basis, the Senior Management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of internal control systems of the Group and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures (if any) or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems were effective and adequate during the Year.

The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities and Futures Ordinance ("**SFO**") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Corporate Governance Report

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.

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.

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.

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.

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 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.

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 61 to 66 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. During the Year, total fees paid to BDO amounted to HK$3,223,800, of which HK$1,473,800, or approximately 46%, 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 2017	HK$1,442,800
Other reporting services in respect of the Group's potential acquisition	HK$31,000

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 to 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.

Environmental, Social and Governance Report

To comply with the requirements set forth in Appendix 27 Environmental, Social and Governance ("**ESG**") Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**ESG Guide**"), Gemini Investments (Holdings) Limited (the "**Company**", and together with its subsidiaries, "**We**", "**our**" and "**our Group**") hereby presents this Environmental, Social and Governance report ("**ESG report**") for the year ended 31 December 2017 (the "**Reporting Period**").

The board of directors of the Company (the "**Board**") is responsible for our ESG strategy and reporting including evaluating and determining our ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. We have engaged our business functions to identify relevant ESG issues and to assess their materiality to our business as well as our stakeholders, through reviewing our Group's operations and holding internal discussions. Our management has provided a confirmation to the Board on the effectiveness of our ESG risk management and internal control systems. Pursuant to the "comply or explain" provisions of the ESG Guide, disclosures relating to the material ESG issues identified and relevant key performance indicators have been included in this ESG Report which aims to provide a balanced representation of our Group's ESG performance in the environmental and social areas, and covers our Group's operations. The table below summarizes the ESG aspects covered in this ESG report:

ESG aspects as set out in ESG Guide		***Material ESG issues for our Group***
A. Environmental	*A1 Emissions*	• Greenhouse Gases Emissions • Waste Management
	A2 Use of Resources	• Energy Consumption • Water Consumption
	A3 The Environment and Natural Resources	• Environmental Risk Management
B. Social	*B1 Employment*	• Human Resources Practices • Equal Opportunity
	B2 Health and Safety	• Workplace Safety
	B3 Development and Training	• Employee Development
	B4 Labour Standards	• Anti-child and Forced Labour
	B5 Supply Chain Management	• Supplier Practices
	B6 Product Responsibility	• Responsible Investment • Data Privacy
	B7 Anti-corruption	• Anti-corruption and Money Laundering
	B8 Community Investment	• Social Responsibility

During the Reporting Period, our Group started a property development project in the United States of America. While it is still in the planning phase with construction work planned to be commenced in mid-2018, our Group will formulate practical measures to manage the ESG impact of the project in advance. Detailed ESG initiatives for the project will be disclosed for the year ended 31 December 2018.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

A1. Emissions

As our Group is principally engaged in investment in fund platform, fund investments, property investment and development and securities investment business, we do not have significant air emissions and discharges into water, besides the greenhouse gases emissions and solid wastes generated in our office and investment properties during our operations.

Greenhouse Gases Emissions

In light of the rising concern over global warming, our Group strives to reduce the greenhouse gases generated from our operations so as to relieve the climate change.

The total greenhouse gases generated by the Group during the Reporting Period was 37.7 tonnes CO2e[1], with an intensity[2] of 2 tonnes CO2e/headcount, comprising of our electricity and petrol consumption. For the consumption details and reduction initiatives, please refer to "A2. Use of Resources" below.

Waste Management

Our Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. All of our waste management practices comply with relevant law and regulations.

During the Reporting Period, our Group did not generate significant amount of hazardous waste, while the major non-hazardous waste generated was paper, with a weight of 587 kg[3].

We strive to reduce, reuse and recycle throughout our operations to minimize the disposal of wastes to the landfill. We also provide appropriate facilities in our offices and engage our employees to facilitate source separation and waste recycling. The amount of paper being recycled by our Group during the Reporting Period was 351 kg.

Green office practices such as encouraging double-sided printing and copying, setting up recycling bins and promoting using recycled papers are implemented to minimize the disposal of wastes.

There were no non-compliance cases noted in relation to environmental laws and regulations for the Reporting Period.

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1 Carbon emissions are calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by The Stock Exchange of Hong Kong Limited and the emission factor published by the electricity provider.

2 Unless otherwise specified, intensity in this ESG report represents the amount per headcount that generated the emission/consumed the energy.

3 The printed quantity, excluding the amount recycled, of the above item by our Group during the Reporting Period has been considered as the amount disposed.

A2. Use of Resources

Our Group conserves resources for environmental and operating efficiency purposes. To pursue our environmental commitment, we implement multiple measures in enhancing energy efficiency, minimising the use of papers, reducing water consumption and driving behavioural changes of employees. Through actively monitoring and managing the use of resources, we aim to reduce our operating costs as well as our carbon footprints. Use of packaging materials is not relevant to our businesses, while details of energy and water consumptions will be discussed in the following sessions.

Energy Consumption

During the Reporting Period, the energy we consumed directly for our operations are as follows:

Energy	Unit	Consumption Quantity	Intensity (Consumption/Headcount)
Electricity	kWh	34,252	2,141
Petrol	L	2,887	180

Our Group has executed various initiatives throughout our operations, such as policy on switching off idle lightings and electrical appliances, as well as deploying energy-efficient devices which carry Energy Label issued by the Electrical and Mechanical Services Department, which successfully reduced electricity consumption from our business activities.

Water Consumption

Our Group's office in Hong Kong is the major source of our direct water consumption, which could be considered immaterial due to limited number of our staff and the nature of our Group's businesses. Further, as we operate in office premises of which both of the water supply and discharge are solely controlled by the building management of the office premises, it is considered that provision of water withdrawal and discharge data or sub-meter for individual occupant not feasible. However, in order to build the awareness on water conservation, our Group promotes water saving practices in the workplace. We encourage employees to reduce water use by placing reminder signs in the pantry as well as toilets. We also advocate reuse of water for non-edible purposes, for example, watering plants with the same water used for washing produce, collecting used water for floor cleaning, etc. These endeavors have achieved satisfactory result in water conservation.

A3. The Environment and Natural Resources

Environmental Risk Management

Although the core business of our Group has remote impact on the environment and natural resources, as an ongoing commitment to good corporate citizenship, we recognize the responsibility in minimizing the negative environmental impact of our business operations and our investment portfolio, in order to achieve a sustainable development for generating long-term values to our stakeholders and community as a whole.

We regularly assess the environmental risks of our business, review the environmental practices and adopt preventive measures as necessary to reduce the risks, and ensure the compliance with relevant laws and regulations.

B. SOCIAL

B1. Employment

Human Resources Practices

Employees are our valuable assets. We strive to attract and retain talent and reconcile economical imperatives with well-beings, aiming at reinforcing satisfaction, loyalty and commitment of human capital. We have developed a written human resources policy and staff manual to govern the recruitment, promotion, discipline, working hours, leaves and other benefits of our employees, in accordance with the relevant laws and regulations.

The level of compensation of our employees is reviewed annually on a performance basis with reference to the market standard. A wide range of benefits including comprehensive medical and life insurance, and retirement schemes are also provided to employees. Social and recreational activities are arranged for the employees in achieving work-life balance.

Equal Opportunity

The Company respects cultural and individual diversity. We believe that no one should be treated less favourably on his/her personal characteristics (i.e. gender, pregnancy, marital status, disability, family status, race, etc.). Opportunities for employment, training and career development are equally opened to all qualified employees.

There were no non-compliance cases noted in relation to employment laws and regulations for the Reporting Period.

B2. Health and Occupational Safety

Workplace Safety

We are committed to providing and maintaining a safe, healthy, and hygienic workplace for all employees, and all other persons likely to be affected by our operations and activities.

Health and safety standards are given prime consideration in our operations, and regulatory compliance is strongly upheld. Employees at every level are committed to, and accountable for, the delivery of the safety initiatives contained in the staff manual of the Company, with a view to maintaining a vigorous and injury-free culture. Appropriate measures are taken to continuously improve the safety and health aspects in the workplace.

There were no non-compliance cases noted in relation to health and safety laws and regulations during the Reporting Period.

B3. Development and Training

Employee Development

We acknowledge the importance of training for the development of our employees as well as our Group. We encourage and support our employees in personal and professional training, through sponsoring training programmes, seminars, workshops and conferences, regular sharing sessions, peer learning and on-the-job coaching, as well as reimbursement for external training courses to enhance their competencies in performing their jobs effectively and efficiently. We believe this is a mutually beneficial practice for achieving both personal and corporate goals as a whole.

B4. Labour Standards

Anti-child and Forced Labour

We prohibit any child and forced labour in any of our operations and services. Labour being forced to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. Children who are below the age as set by the local Labour Law should not be employed. We also avoid engaging vendors of administrative supplies and services and contractors that are known to employ child or forced labour in their operations.

There were no non-compliance cases noted in relation to labour standards laws and regulations during the Reporting Period.

B5. Supply Chain Management

Supplier Practices

We encourage asset managers and suppliers (mainly professional service providers) to maintain a high standard on business ethics and conducts, with satisfactory environmental and social performance. During the selection and evaluation processes of asset managers and vendors of administrative supplies and services, we adopt a fair basis with defined assessment criteria to ensure that only qualified asset managers and vendors are engaged with no conflict of interest.

B6. Product Responsibility

Responsible Investment

The Company's goal is to maximise shareholders' value in medium to long term. We believe that ESG factors have an influence on the financial performance of individual companies, in both positive and negative ways. Hence, in the process of creating returns, ESG is integrated into not only our operations but also our investment processes for long-term value creation. As a responsible investor, we aim to incorporate ESG aspects in our analysis and investment decisions, and continue to monitor the ESG performance of our investment portfolio and encourage our investees and asset managers to make an improvement on ESG issues.

Data Privacy

We ensure strict compliance with the statutory requirements to fully meet a high standard of security and confidentiality of personal data privacy protection. We highly respect personal data privacy and are firmly committed to preserving the data protection principles as follows:

- We only collect personal data that we believe to be relevant and required to conduct our business;
- We will use personal data only for the purpose for which data is collected or for a directly related purpose unless consent with a new purpose is obtained;
- We will not transfer or disclose personal data to any entity that is not a member of our Group without consent unless it is required by law or it was previously notified; and
- We maintain appropriate security systems and measures designed to prevent unauthorized access to personal data.

There were no non-compliance cases noted in relation to our investment practices and data privacy during the Reporting Period.

B7. Anti-corruption

Anti-corruption and Money Laundering

We aim to maintain the highest standards of openness, uprightness and accountability and all our staff are expected to observe the highest standards of ethical, personal and professional conduct. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations.

In addition to the code of conduct on anti-bribery and anti-corruption mentioned in our staff manual, we have issued relevant whistle-blowing procedures in setting up a private communication channel on reporting suspicious fraudulent actions to the Company's management directly. Ongoing review of the effectiveness of the internal control systems is conducted on a regular basis in preventing the occurrence of corruption activities.

There were no non-compliance cases noted in relation to corruption-related laws and regulations during the Reporting Period.

B8. Community Investment

Social Responsibility

As a corporate citizen, we promote social contributions throughout members of our Group to the local communities in which we operate. We place great emphasis on cultivating social responsibility awareness among our staff and encouraging them to better serve our community at work and during their personal time. We will try to maximise our social investments as possible in order to create a more favourable environment for our community and our business.

Independent Auditor's Report

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TO THE MEMBERS OF GEMINI INVESTMENTS (HOLDINGS) LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

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 67 to 162, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Interests in joint ventures

(Refer to Note 17 to the consolidated financial statements)

The Group's interests in joint ventures, Gemini-Rosemont Realty LLC ("Gemini-Rosemont"), is accounted for under the equity method. The Group's share of the profit after tax from Gemini-Rosemont for the year ended 31 December 2017 was HK$12,102,000 and the Group's share of Gemini-Rosemont's net assets was HK$966,981,000 as at 31 December 2017.

In the context of our audit of the Group's financial statements, there is a key audit matter relates to the Group's share of the profits and net assets of Gemini-Rosemont arising from the valuation of investment properties held by Gemini-Rosemont in the United States.

Valuation of investment properties – The management of Gemini-Rosemont has estimated the fair value of these investment properties using income approach. The valuation of the investment properties are conducted by a dedicated valuation team reporting to the management. The appropriateness of the valuation is dependent on determination of certain key assumptions that require an exercise of management judgement include capitalisation rates and estimated rental value.

Our response:

Gemini-Rosemont is a significant joint venture of the Group. We have carried out in-depth discussion with the component auditor and give audit instruction to them for audit approach including audit risk assessment. We involved with the work of component auditor by reviewing their working papers and discussing with them the results of their work. We have also interviewed with the Group's management and discussed with them and evaluated any probable impacts on the Group financial statements of the key audit matters relating to Gemini-Rosemont (i.e. the valuation of investment properties).

The procedures performed on the valuation of investment properties included:

- Understanding the facts and circumstances of the underlying investment properties valuations from Gemini-Rosemont's internal valuation team;

- Assessing the methodologies used and the appropriateness of the key assumptions based on the component auditor's knowledge of the property industry and using the component auditor's in-house valuation experts; and

- Checking, on a sample basis, the accuracy and relevance of the input data used in the valuation.

Impairment of available-for-sale investments

(Refer to Note 18 to the consolidated financial statements)

As at 31 December 2017, the carrying amount of the Group's available-for-sale investments was HK$2,226,977,000 which included unlisted fund investments amounted to HK$1,739,137,000. The unlisted fund investments are measured at cost less any identified impairment losses at the end of the reporting period.

The unlisted fund investments are significant due to the size of the balance and the inherent judgement involved in determining the impairment of these investments.

When there is objective evidence of impairment of available-for-sale investments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the available-for-sale investments and the present value of estimated future cash flows discounted at the current rate of return for similar financial assets. The management has to exercise their judgement to ensure the appropriateness of the estimates or assumptions. Based on the management's assessment, no impairment was identified on these unlisted fund investments.

Our response:

Our procedures in relation to assess the impairment indication of the unlisted fund investments included:

- Understanding the impairment assessment processes carried out by management.

- Assessing any indication of impairment of the unlisted fund investments, and assessing whether impairment provision is required.

- Through discussion with the Group's management and investment managers of the unlisted funds to understand the details of investment portfolios held by the funds, the valuation methodologies adopted by the investment managers to estimate the fair value of the investment portfolios and the key assumptions and inputs used in the valuation.

- Considering the appropriateness and reasonableness of the information as mentioned in the foregoing paragraph in the valuation based on our knowledge of the relevant industry.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 HKICPA 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.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with 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.

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

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

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

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

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

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

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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the directors all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659

Hong Kong, 28 February 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Sales proceeds from disposal of financial instruments held for trading	4	**584,805**	397,398
Revenue	5	**55,565**	83,097
Other income	6	**43,065**	44,008
Employee costs		**(31,495)**	(17,529)
Share-based compensation	7	**—**	(728)
Depreciation	16	**(489)**	(1,143)
Other expenses		**(81,533)**	(55,557)
(Loss)/gain arising from changes in fair value of financial instruments held for trading		**(1,589)**	5,953
Gain arising from changes in fair value of investment properties	15	**22,086**	28,402
Provision for impairment loss on available-for-sale investments		**(1,703)**	—
Share of results of joint ventures	17	**12,102**	(86,218)
Finance costs	8	**(88,350)**	(248,394)
Loss before income tax	9	**(72,341)**	(248,109)
Income tax	10	**(14,677)**	(5,269)
Loss for the year		**(87,018)**	(253,378)
Loss for the year attributable to:			
Owners of the Company		**(87,018)**	(253,378)
Losses per share for loss attributable to owners of the Company	13		
— basic (HK dollar)		**(0.19)**	(0.56)
— diluted (HK dollar)		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Loss for the year		**(87,018)**	(253,378)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
— Change in fair value of available-for-sale investments		**97,981**	(5,272)
— Exchange differences arising on translation of foreign operations		**5,732**	(949)
— Share of other comprehensive income of joint ventures	17	**—**	(12,039)
— Release of exchange reserve upon disposal of subsidiary		**—**	73,406
Other comprehensive income for the year		**103,713**	55,146
Total comprehensive income for the year		**16,695**	(198,232)
Total comprehensive income attributable to:			
Owners of the Company		**16,695**	(198,232)

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment properties	15	**721,212**	713,052
Property, plant and equipment	16	**1,696**	2,243
Interests in joint ventures	17	**966,981**	985,149
Available-for-sale investments	18	**2,226,977**	2,223,958
Loan receivables	19	**415,271**	604,031
		4,332,137	4,528,433
Current assets			
Deposits, prepayments and other receivables		**11,960**	7,426
Deposits paid for acquisition of properties held for resale		**—**	50,023
Properties under development	20	**442,011**	—
Loan receivables	19	**20,543**	47,611
Amount due from a fellow subsidiary	21	**—**	665
Financial instruments held for trading	22	**267,786**	170,645
Cash and bank balances	23	**1,514,828**	1,121,440
		2,257,128	1,397,810
Current liabilities			
Other payables and accrued charges		**49,081**	36,267
Amount due to an intermediate holding company	21	**552,675**	—
Taxation payable		**410**	123
Borrowings	24	**48,066**	272,513
		650,232	308,903
Net current assets		**1,606,896**	1,088,907
Total assets less current liabilities		**5,939,033**	5,617,340

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	25	**184,881**	184,881
Reserves	26	**5,290,790**	3,649,311
Total equity		**5,475,671**	3,834,192
Non-current liabilities			
Borrowings	24	**448,882**	1,776,477
Deferred tax liabilities	29	**14,480**	6,671
		463,362	1,783,148
Total equity and non-current liabilities		**5,939,033**	5,617,340

The financial statement on pages 67 to 162 were approved and authorised for issue by the Board of Directors on 28 February 2018 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 2017

	Share capital (Note 25)	Convertible preference shares reserve (Note 27)	Perpetual bond (Note 28)	Capital contribution reserve	Capital reduction reserve	Share option reserve	Available-for-sale financial assets reserve	Translation reserve	(Accumulated losses)/ Retained profits	Attributable to owners of the Company
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2016	184,881	3,898,698	—	867,560	—	23,439	(18,738)	(48,304)	(951,190)	3,956,346
Other comprehensive income										
— Change in fair value of available-for-sale investments	—	—	—	—	—	—	(5,272)	—	—	(5,272)
— Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	(949)	—	(949)
— Share of other comprehensive income of joint ventures	—	—	—	—	—	—	—	(12,039)	—	(12,039)
— Release of exchange reserve upon disposal of subsidiary	—	—	—	—	—	—	—	73,406	—	73,406
Loss for the year	—	—	—	—	—	—	—	—	(253,378)	(253,378)
Total comprehensive income for the year	—	—	—	—	—	—	(5,272)	60,418	(253,378)	(198,232)
Share-based compensation (Note 7)	—	—	—	—	—	728	—	—	—	728
Vested share options forfeited	—	—	—	—	—	(296)	—	—	296	—
Capital contribution through borrowings from parent (Note 24(c))	—	—	—	75,350	—	—	—	—	—	75,350
Balance at 31 December 2016 and 1 January 2017	**184,881**	**3,898,698**	**–**	**942,910**	**–**	**23,871**	**(24,010)**	**12,114**	**(1,204,272)**	**3,834,192**
Other comprehensive income										
— Change in fair value of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**–**	**97,981**	**–**	**–**	**97,981**
— Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,732**	**–**	**5,732**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(87,018)**	**(87,018)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**97,981**	**5,732**	**(87,018)**	**16,695**
Vested share options forfeited	**–**	**–**	**–**	**–**	**–**	**(523)**	**–**	**–**	**523**	**–**
Capital contribution through borrowings from parent (Note 24(c))	**–**	**–**	**–**	**24,924**	**–**	**–**	**–**	**–**	**–**	**24,924**
Capital reduction (Note 27)	**–**	**(1,411,529)**	**–**	**–**	**1,411,529**	**–**	**–**	**–**	**–**	**–**
Issue of perpetual bond (Note 28)	**–**	**–**	**1,599,860**	**–**	**–**	**–**	**–**	**–**	**–**	**1,599,860**
Transfer (Note 28)	**–**	**–**	**659,644**	**(659,644)**	**(1,411,529)**	**–**	**–**	**–**	**1,411,529**	**–**
Balance at 31 December 2017	**184,881**	**2,487,169**	**2,259,504**	**308,190**	**–**	**23,348**	**73,971**	**17,846**	**120,762**	**5,475,671**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Loss before income tax	**(72,341)**	(248,109)
Adjustments for:		
Depreciation	**489**	1,143
Loss on disposal of property, plant and equipment	**246**	—
Loss/(Gain) arising from changes in fair value of financial instruments held for trading	**1,589**	(5,953)
Gain arising from changes in fair value of investment properties	**(22,086)**	(28,402)
Loss on disposal of subsidiaries	**3,317**	7,388
Provision for impairment loss for available-for-sale investments	**1,703**	—
Written off of property, plant and equipment	**20**	—
Share-based compensation	**—**	728
Share of results of joint ventures	**(12,102)**	86,218
Finance costs	**88,350**	248,394
Interest income from bank deposits	**(1,783)**	(2,560)
Other interest income	**(37,607)**	(38,614)
Operating (loss)/profits before working capital changes	**(50,205)**	20,233
Increase in debtors, deposits and prepayments	**(4,626)**	(3,775)
Increase in properties under development	**(391,988)**	—
Increase in financial instruments held for trading	**(98,730)**	(8,867)
Decrease/(increase) in amount due from a fellow subsidiary	**665**	(665)
Increase/(decrease) in creditors and accrued charges	**16,325**	(2,453)
Cash (used in)/generated from operations	**(528,559)**	4,473
Income tax paid	**(12,764)**	(347)
Net cash (used in)/generated from operating activities	**(541,323)**	4,126

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(224)**	(2)
Proceed from disposal of property, plant and equipment	**145**	—
Consideration paid for acquiring investment properties	**—**	(156,264)
Consideration paid for acquiring properties held for resale	**—**	(50,023)
Acquisition of available-for-sale investments	**(2,784)**	(48,669)
Redemption of available-for-sale investments	**89,977**	25,000
Capital return from available-for–sale investments	**6,092**	1,707
Capital contributions to joint venture	**—**	(408)
Distribution from joint venture	**37,080**	22,805
Loan advanced to joint venture	**—**	(43,623)
Loan repayment from members of joint venture	**2,047**	—
Loan repayment from/(advanced to) an investee	**190,000**	(10,000)
Loan repayment from trustee	**22,577**	4,043
Loan repayment from a joint venture	**6,063**	—
Increase in bank deposit with original maturity over three months	**(50,225)**	—
Net cash inflows from disposal of subsidiaries	**13,800**	1,131,379
Interest received	**38,609**	49,356
Net cash generated from investing activities	**353,157**	925,301
Cash flows from financing activities		
New loan raised	**—**	100,000
Repayment of borrowings	**—**	(624,572)
Repayment of obligation under finance lease	**(78)**	(61)
Interest paid	**(23,718)**	(59,266)
Loan arrangement fee paid	**—**	(6,000)
Increase in amount due to an intermediate holding company	**552,675**	—
Decrease in amount due to a fellow subsidiary	**—**	(65,880)
Net cash generated from /(used in) financing activities	**528,879**	(655,779)
Net increase in cash and cash equivalents	**340,713**	273,648
Cash and cash equivalents at beginning of the year	**1,121,440**	851,494
Effect of foreign exchange rate changes	**2,450**	(3,702)
Cash and cash equivalents at end of the year	**1,464,603**	1,121,440
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**1,514,828**	1,121,440
Less: Time deposit with original maturity over three months	**(50,225)**	—
Cash and cash equivalents at end of the year	**1,464,603**	1,121,440

Notes to the Financial Statements

For the year ended 31 December 2017

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 Group Holding 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 36 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 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the cash flow statement of the Group, Note 32.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2017 *(Continued)*

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value. The adoption of the amendments has no impact on the financial statements of the Group as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on the financial performance and position of the Group as the amendments affect only disclosure. In addition, there is no interests in other entities classified as held for sale or discontinued operations at the end of the reporting period.

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

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

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKAS 28 Investments in Associates and Joint Ventures	Clarifies that companies account for long-term interests in an associate or joint venture – to which the equity method is not applied – using HKFRS 9 Financial Instruments[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to: HKFRS 3, Business Combinations; HKFRS 11 Joint Arrangements; HKAS 12, Income Taxes; and HKAS 23 Borrowing Costs[2]
HKFRS 16	Leases[2]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

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

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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

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

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 — Financial Instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

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

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

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

(i) Financial assets

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI") as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9.

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

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

(a) Classification and measurement (Continued)

(i) Financial assets (Continued)

At 31 December 2017, the Group held available-for-sale equity investments at cost and at FVTOCI amounted to HK$1,753,006,000 and HK$473,971,000 respectively (Note 18). The Group plans to recognise any fair value changes in respect of all the available-for-sale equity investments in profit or loss (i.e. FVTPL) as they arise.

This will give rise to a change in accounting policies as before adopting HKFRS 9, the Group only recognises the identified impairment for available-for-sale equity investments measured at cost in profit or loss and recognises the fair value changes of available-for-sale equity investments measured at FVTOCI in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in Note 3(j). Accordingly, for those available-for-sale are measured at cost less any identified impairment losses at the end of the reporting period, this change in policy will have impact on the Group's net assets and total comprehensive income, and will increase volatility in profit or loss in 2018. For those available-for-sale are measured at FVTOCI, this change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss in 2018. Upon the initial adoption of HKFRS 9, the fair value gains of HK$73,971,000 related to these investments will be transferred from the fair value reserve to retained profits at 1 January 2018.

(ii) Financial Liabilities

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of an financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

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

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

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently does not have any hedge relationship and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

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

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 (Continued)

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 is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition on dividend income earned from investments including financial assets at fair value through profit or loss.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Amendments to HKAS 40 — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HK(IFRIC)–Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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

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

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2017, the Group's total future minimum lease payments under non-cancellable operating lease of HK$7,576,000 as disclosed in Note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

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

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

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except as described above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and an interpretation will have no material impact on the Group's financial performance and positions and/or the disclosures to the financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements on pages 67 to 162 have been prepared in accordance with all applicable, HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") 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 (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 39.

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) 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.

(d) 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.

Dividend income from investments including financial asset at fair value through profit or loss and available-for-sale investments are 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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.

(f) Inventories

Inventories are initially recognised at cost, and subsequently carried at the lower of cost and net realisable value.

Properties under development

The cost of properties under development comprises the acquisition cost of land, development expenditure, other direct expenses and capitalised borrowing costs (see Note 3(n)).

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated costs necessary to complete a sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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 $33^1/_3$%
Computer equipment	$33^1/_3$%
Leasehold improvement	60%
Motor vehicle	$12^1/_2$%

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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of tangible assets *(Continued)*

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 increases under that standard to the extent of the decrease previously charged.

(i) 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Joint arrangements *(Continued)*

The Group accounts for its interests in joint venture 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.

(j) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Financial assets at FVTPL (Continued)

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 or (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 and a fellow subsidiary, other 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). Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and form an integral part of the Group's cash management.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Available-for-sale investments (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

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.

For available-for-sale investment, where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

Perpetual bond issued by the Group are classified as equity instruments. For details refer to Note 28 to the financial statements.

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 an intermediate holding company and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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.

(l) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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 or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(m) 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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Leasing *(Continued)*

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.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(n) 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.

(o) 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 are share a majority of these criteria.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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.

(r) 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.

(s) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Related parties *(Continued)*

(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.

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 22) disposed of during the years ended 31 December 2017 and 2016 amounted to approximately HK$584,805,000 and HK$397,398,000 respectively.

The changes in fair value of financial instruments held for trading by the Group throughout the years of 2017 and 2016, 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.

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. Investment in fund platform — provision of management and administration services for property development project and investing in real estate fund platform.

2. Property investment and development — rental income from leasing of office properties and residential condominium as well as property development in the U.S. and property development for sale of quality residential properties in Hong Kong through investment in fund.

3. Fund investments — investing in various investment funds and generating investment income.

4. Securities and other investments — investing in various securities and generating investment income.

Revenue and expenses are allocated to the reportable segments with reference to revenue 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.

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

5. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2017

	Investment in fund platform	Property investment and development	Fund investments	Securities and other investments	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue	–	36,556	–	603,814	640,370
Less: Sales proceeds from disposal of financial instruments held for trading	–	–	–	(584,805)	(584,805)
Revenue as presented in consolidated income statement	–	36,556	–	19,009	55,565
Segment results	19,728	37,260	117	12,858	69,963
Interest income from bank deposits					1,783
Unallocated corporate expenses					(55,737)
Finance costs					(88,350)
Loss before income tax					(72,341)

5. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2016

	Investment in fund platform	Property investment and development	Fund investments	Securities and other investments	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue	—	21,678	59,110	399,707	480,495
Less: Sales proceeds from disposal of financial instruments held for trading	—	—	—	(397,398)	(397,398)
Revenue as presented in consolidated income statement	—	21,678	59,110	2,309	83,097
Segment results	(77,459)	52,790	58,369	7,822	41,522
Interest income from bank deposits					2,560
Unallocated corporate expenses					(43,797)
Finance costs					(248,394)
Loss before income tax					(248,109)

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 Group's 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.

5. SEGMENT INFORMATION *(Continued)*

(a) Segment assets and liabilities

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

	2017	2016
	HK$'000	HK$'000
Assets		
Segment assets		
— Investment in fund platform	**1,497,847**	1,458,852
— Property investment and development	**1,640,679**	968,578
— Fund investments	**2,221,694**	2,141,775
— Securities and other investments	**599,827**	758,581
Unallocated assets	**629,218**	598,457
Consolidated total assets	**6,589,265**	5,926,243
Liabilities		
Segment liabilities		
— Investment in fund platform	**25,965**	12,068
— Property investment and development	**11,897**	9,087
— Fund investments	**48**	48
— Securities and other investments	**122**	12,023
Unallocated liabilities	**1,075,562**	2,058,825
Consolidated total liabilities	**1,113,594**	2,092,051

Segment assets include all assets are allocated to operating segments other than property, plant and equipment, unallocated deposits, prepayments and other receivables, amount due from a fellow subsidiary, certain cash and bank balances which are not allocated to a segment.

Segment liabilities included all liabilities are allocated to operating segments other than tax payable, borrowings, amount due to an intermediate holding company and unallocated other payables.

The information disclosed above represented the segments to be identified on the basis of annual reports about components of the Group that are regularly reviewed by the chief operating decision makers for the purpose of assessing their performance and allocating resources to segments.

5. SEGMENT INFORMATION *(Continued)*

(a) Segment assets and liabilities *(Continued)*

For the year ended 31 December 2017

Other segment information

	Investment in fund platform	Property investment and development	Fund investments	Securities and other investments	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	966,981	–	–	–	966,981
Gain arising from changes in fair value of investment properties	–	22,086	–	–	22,086
Loss arising from changes in fair value of financial instruments held for trading	–	–	–	(1,589)	(1,589)
Loss on disposal of subsidiaries		(3,317)	–	–	(3,317)
Provision for impairment on available-for-sale investment	–	–	–	(1,703)	(1,703)
Share of results of joint ventures	12,102	–	–	–	12,102

5. SEGMENT INFORMATION *(Continued)*

(a) Segment assets and liabilities *(Continued)*

For the year ended 31 December 2016

Other segment information

	Investment in fund platform	Property investment and development	Fund investments	Securities and other investments	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	985,149	—	—	—	985,149
Gain arising from changes in fair value of investment properties	—	28,402	—	—	28,402
Gain arising from changes in fair value of financial instruments held for trading	—	—	—	5,953	5,953
Loss on disposal of a subsidiary	(7,388)	—	—	—	(7,388)
Share of results of joint ventures	(86,218)	—	—	—	(86,218)

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

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

The Group's revenue 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:

	Revenue from external customers		**Non-current assets other than financial instruments and interests in joint ventures**	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**9,655**	10,341	**360,549**	353,423
The U.S.	**29,445**	13,132	**362,357**	361,866
Australia	**16,390**	—	**—**	—
The PRC	**10**	—	**2**	6
Others*	**65**	59,624	**—**	—
	55,565	83,097	**722,908**	715,295

* For the year ended 31 December 2016, included in Others was two dividend income of approximately HK$35,814,000 and HK$23,296,000 received from investment funds which are operated in Cayman Islands.

(c) Information about major customers

For the year ended 31 December 2017, there were dividend income received from an investee (reported under the Group's securities and other investments segment) and rental income received from a tenant (reported under the Group's Property investment and development segment), each of whom contributed approximately 29% and 13% respectively of the Group's total revenue. Revenue derived from the investee and the tenant during the year amounted to approximately HK$16,390,000 and HK$7,147,000 respectively.

For the year ended 31 December 2016, there were dividend income received from two investees (reported under the Group's fund investments segment), each contributed approximately 43% and 28% of the Group's total revenue. Revenue derived from these two investees during the year amounted to approximately HK$35,814,000 and HK$23,296,000 respectively.

6. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Bank interest income	**1,783**	2,560
Other interest income	**37,607**	38,614
Others	**3,675**	2,834
	43,065	44,008

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 on 23 June 2011. 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 HK$5,579,000.

7. SHARE-BASED COMPENSATION *(Continued)*

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 the share 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 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.

35,400,000 share options were granted on 9 August 2013 of which 19,400,000 share options were vested and exercisable on 9 August 2013. For the remaining 16,000,000 share options granted to Mr. Sum Pui Ying, each of 4,000,000 share options were vested and exercisable on 16 September 2013, 9 August 2014, 9 August 2015 and 8 August 2016 respectively. The fair value of the Options granted was HK$21,993,000 in aggregate.

On 9 March 2015, the Company granted 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 HK$3,002,000.

No share-based compensation was recognised by the Group and the Company for the year ended 31 December 2017. The Group and the Company recognised share-based compensation of HK$728,000 for the year ended 31 December 2016.

At 31 December 2017, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 36,510,000 (2016: 37,410,000), representing 8.10% (2016: 8.30%) 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.

7. SHARE-BASED COMPENSATION *(Continued)*

Movement in share options are as follows:

	2017 Number	2017 Weighted average exercise price	2016 Number	2016 Weighted average exercise price
		HK$		HK$
Outstanding at 1 January	**37,410,000**	**1.04**	37,910,000	1.04
Forfeited	**(900,000)**	**—**	(500,000)	—
Outstanding at 31 December	**36,510,000**	**1.03**	37,410,000	1.04
Exercisable at 31 December	**36,510,000**	**1.03**	37,410,000	1.04

The weighted average remaining contractual life of the share options outstanding at 31 December 2017 was approximately 3.47 years (2016: 4.47 years).

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.

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank and other borrowings	**28,819**	59,266
Imputed interest expense on other borrowings (Notes 24(c), (d) & (e))	**57,140**	186,059
Amortisation of arrangement fee	**2,000**	2,833
Others	**391**	236
	88,350	248,394

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging and (crediting):

	2017 HK$'000	2016 HK$'000
Auditor's remuneration		
— current year	**4,043**	3,331
— underprovision in the prior year	**286**	295
	4,329	3,626
Gross rental income from investment properties	**(36,556)**	(21,678)
Direct operating expenses arising from investment properties that generated rental income	**14,306**	6,395
Direct operating expenses arising from investment properties that did not generated rental income	**13,869**	227
	(8,381)	(15,056)
Dividend income from financial instruments held for trading	**(2,619)**	(2,309)
Interest income from investments	**(602)**	(53)
Net foreign exchange (gain)/loss	**(6,186)**	5,863
Rental payments in respect of properties under operating leases	**5,788**	5,037
Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments)	**871**	776
Loss on disposal of subsidiaries	**3,317**	7,388
Written off of property, plant and equipment	**20**	—
Loss on disposal of property, plant and equipment	**246**	—

10. INCOME TAX

	2017 HK$'000	2016 HK$'000
The taxation attributable to the Group's operation comprises:		
Current tax — Hong Kong Profits Tax		
Provision for the year	**321**	428
Under/(over)-provision in respect of prior years	**280**	(60)
	601	368
Current tax — PRC Enterprise Income Tax		
Provision for the year	**11**	—
Current tax — Overseas tax		
Provision for the year	**6,342**	—
Deferred tax	**7,723**	4,901
Income tax	**14,677**	5,269

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

For the year ended 31 December 2017, all of the Group's PRC subsidiaries were subject to PRC Enterprise Income Tax rate of 25% (2016: 25%).

Overseas tax is calculated at the rates applicable in the respective jurisdictions in which the Group operates.

10. INCOME TAX *(Continued)*

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

	2017	2016
	HK$'000	HK$'000
Loss before income tax	**(72,341)**	(248,109)
Tax calculated at the income tax rate applicable to losses in the respective jurisdictions	**(6,831)**	(34,112)
Tax effect of expenses not deductible for tax purpose	**23,213**	44,630
Tax effect of income not taxable for tax purpose	**(18,197)**	(24,627)
Tax effect of share of results of joint ventures	**2,936**	10,707
Tax effect of unrecognised tax loss	**6,909**	5,391
Tax effect on temporary difference not recognised	**(1,339)**	(1,561)
Other	**509**	—
Under/(over)-provision in respect in prior years	**280**	(60)
Withholding tax	**7,197**	4,901
Income tax expense	**14,677**	5,269

11. DIRECTORS' EMOLUMENTS

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

	Li Ming	Sum Pui Ying	Lai Kwok Hung, Alex	Li Hongbo	Law Tze Lun	Lo Woon Bor, Henry	ΔZheng Yun	#Cui Yueming	^Deng Wei	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2017										
Fees	–	180	180	180	180	180	–	180	180	1,260
Other emoluments										
– Salaries and other benefits	31	595	1,304	31	31	31	–	31	31	2,085
– Contributions to retirement benefits schemes	–	56	127	–	–	–	–	–	–	183
Total emoluments	31	831	1,611	211	211	211	–	211	211	3,528
2016										
Fees	–	180	180	180	180	180	11	180	168	1,259
Other emoluments										
– Salaries and other benefits	32	4,761	1,194	32	32	32	2	32	30	6,147
– Share-based compensation (Note a)	–	727	–	–	–	–	–	–	–	727
– Contributions to retirement benefits schemes	–	271	115	–	–	–	–	–	–	386
Total emoluments	32	5,939	1,489	212	212	212	13	212	198	8,519

Δ resigned on 25 January 2016
^ appointed on 25 January 2016
# resigned on 1 March 2018

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 as set out in Note 3(k) to the financial statements. Further details of the options granted are set out in Note 7 to the financial statements.

b) No directors waived any emoluments for each of the years ended 31 December 2016 and 2017.

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 2016 and 2017.

12. FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the five highest paid individuals for the year include one (2016: two) director(s) whose emoluments are reflected in Note 11 above. The emoluments of the remaining four (2016: three) highest paid individuals are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries and other benefits	**3,323**	2,290
Contributions to retirement benefits schemes	**319**	229
	3,642	2,519

Their emoluments were within the following band:

	2017	2016
	No. of employees	No. of employees
Nil to HK$1,000,000	**4**	3

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

	2017	2016
	No. of individuals	No. of individuals
Nil to HK$1,000,000	**8**	7
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**1**	—
HK$5,500,001 to HK$6,000,000	**—**	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$87,018,000 (2016: HK$253,378,000) and the weighted average number of ordinary shares of 450,990,000 (2016: 450,990,000) in issue during the year.

No adjustment has been made to basis losses per share amount presented for the years ended 31 December 2017 and 2016 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 2016 and 2017, nor has any dividend been proposed since the end of the reporting period.

15. INVESTMENT PROPERTIES

The Group's investment properties comprise:

	2017	2016
	HK$'000	HK$'000
Properties in Hong Kong	**358,900**	351,200
Properties in US	**362,312**	361,852
	721,212	713,052

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, comprising office premises, villa which included carpark, residential properties and office building, which located in Hong Kong and the US as at 31 December 2017 and 2016 have been arrived at on the basis of a valuation carried out on that dates by BMI Appraisals Limited ("BMI Appraisals"), which is an independent qualified professional valuer not connected with the Group. The valuation reports on these properties were signed by a director of BMI Appraisals who are 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$22,086,000 (2016: HK$28,402,000) which has been recognised in profit or loss. 84% (2016: 88%) of the investment properties of the Group were rented out under operating leases as at 31 December 2017.

(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.

	2017	2016
	HK$'000	HK$'000
At the beginning of the year	**713,052**	528,275
Additions	**—**	156,264
Exchange realignment	**2,874**	111
Disposal of subsidiaries	**(16,800)**	—
Gains on revaluation of investment properties	**22,086**	28,402
At the end of the year	**721,212**	713,052

15. INVESTMENT PROPERTIES *(Continued)*

Office premises situated in Hong Kong were revalued on income capitalisation 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 residential properties and office building located in the US and the villa located in Hong Kong are 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 properties 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 view, location, size, level and condition of the properties

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 2017

Properties and location	Fair value as at 31 December 2017 HK$'000	Valuation techniques	Significant unobservable inputs	Range of significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Office premises situated in Hong Kong	358,900	Income capitalisation approach	Estimated rental value	HK$51 – HK$60 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
Residential properties situated in the US	210,665	Direct comparison	Premium or discount quality of properties (e.g. view, level and condition of the residential properties)	-6.6% — 3%	The higher the quality of properties with reference to comparables, the higher the fair value
Office building situated in the US	151,647	Direct comparison	Premium or discount quality of properties (e.g. location, size and condition of the office building)	-20% — 10%	The higher the quality of properties with reference to comparables, the higher the fair value

15. INVESTMENT PROPERTIES *(Continued)*

31 December 2016

Properties and location	Fair value as at 31 December 2016 HK$'000	Valuation techniques	Significant unobservable inputs	Range of significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Office premises situated in Hong Kong	334,400	Income capitalisation approach	Estimated rental value	HK$47 – HK$58 per month per square feet	The higher the rental value, the higher the fair value
			Discount rate	2.9% — 3.4%	The higher the discount rate, the lower the fair value
Villa (included carpark) situated in Hong Kong	16,800	Direct comparison	Premium or discount quality of properties (e.g. location, view, time and condition of the villa)	-5% — 16%	The higher the quality of properties with reference to comparables, the higher the fair value
Residential properties situated in the US	208,301	Direct comparison	Premium or discount quality of properties (e.g. view, level and condition of the residential properties)	0.3% — 7%	The higher the quality of properties with reference to comparables, the higher the fair value
Office building situated in the US	153,551	Direct comparison	Premium or discount quality of properties (e.g. location, size and condition of the office building)	-30% — 10%	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.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 January 2016	3,735	2,105	780	708	7,328
Exchange realignment	—	(17)	(7)	—	(24)
Additions	—	—	2	—	2
At 31 December 2016	3,735	2,088	775	708	7,306
Exchange realignment	—	18	8	—	26
Disposal of subsidiaries	—	—	—	(144)	(144)
Disposal	—	—	—	(708)	(708)
Written-off	—	(226)	—	—	(226)
Additions	—	354	58	144	556
At 31 December 2017	3,735	2,234	841	—	6,810
DEPRECIATION					
At 1 January 2016	1,896	1,376	495	177	3,944
Exchange realignment	—	(17)	(7)	—	(24)
Charged for the year	296	578	181	88	1,143
At 31 December 2016	2,192	1,937	669	265	5,063
Exchange realignment	—	18	8	—	26
Disposal	—	—	—	(317)	(317)
Written-off	—	(147)	—	—	(147)
Charged for the year	253	96	88	52	489
At 31 December 2017	2,445	1,904	765	—	5,114
NET BOOK VALUE					
At 31 December 2017	1,290	330	76	—	1,696
At 31 December 2016	1,543	151	106	443	2,243

Note:

At the end of the reporting period, the net book value of the furniture, fixture and equipment held under finance lease of the Group was approximately HK$281,000 (2016: HK$90,000).

17. INTERESTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Share of net assets other than goodwill	**931,431**	949,883
Goodwill	**35,550**	35,266
At the end of the year	**966,981**	985,149

	2017 HK$'000	2016 HK$'000
At the beginning of the year	**985,149**	2,167,916
Capital contributions	**—**	408
Dividend distribution	**(37,080)**	(24,765)
Disposal	**—**	(1,060,153)
Share of post-acquisition profits/(losses), net of tax and other comprehensive income	**12,102**	(98,257)
Income tax paid	**6,405**	—
Exchange difference	**405**	—
At the end of the year	**966,981**	985,149

As at 31 December 2017 and 2016, the Group has interests in the following 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 2017	2016	Principal activities
Gemini-Rosemont Realty LLC	Limited liability company	The U.S.	The U.S.	Class A membership interests *	**45%**	45%	Property investment & management
Rosemont WTC Denver GPM LLC	Limited liability company	The U.S.	The U.S.	Membership interests #	**100%**	100%	Property investment & management
Rosemont Diversified Portfolio II LP	Limited partnership	The U.S.	The U.S.	Limited partnership interests #	**37.19%**	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

17. INTERESTS IN JOINT VENTURES *(Continued)*

Notes:

(a) 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.

(b) On 19 May 2016, the Company entered into a sales and purchase agreement to dispose of Chance Bright Limited ("**Chance Bright**") and assigned the benefits of all loans amounted to HK$2,308,875,000 advanced by the Group to Xin Cai Global Holdings Limited at the cash consideration of approximately Renminbi ("RMB") 970,000,000 (equivalent to approximately HK$1,131,379,000). Chance Bright was an investment holding company and it directly held the 50% equity interest in two joint venture companies, being (i) Sino Prosperity Real Estate Limited and (ii) Sino Prosperity Real Estate Advisor Limited. After the completion of disposal, Chance Bright would cease to be a subsidiary of the Company. The disposal of Chance Bright was completed on 28 June 2016. Details of the disposal were set out in the announcement of the Company dated 19 May 2016 and 28 June 2016 and the circular of the Company dated 10 June 2016.

The loss arising from the disposal of Chance Bright amounted to approximately HK$7,388,000 was included as "Other expenses" in the consolidated income statement.

During the year ended 31 December 2016, the Group share the post-acquisition loss and other comprehensive income of Sino Prosperity Real Estate Limited and Sino Prosperity Real Estate Advisor Limited of approximately US$22,245,000 (equivalent to approximately HK$172,591,000) in aggregate.

(c) On 31 December 2014, the Group entered into the purchase, sale and contribution agreement (the "**Agreement**") with Neutron Property Fund Limited (the "**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 ("**Gemini-Rosemont**"), a limited liability company incorporated in the State of Delaware. Gemini-Rosemont acquired the businesses, assets and liabilities of Rosemont (excluding certain equity interests owned directly by Rosemont which are not transferred to Gemini-Rosemont) 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) represented the directly attributable costs related to the transaction.

Apart from the subscription of the 45% membership interests in Gemini-Rosemont, the Group acquired 100% membership interest 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 represented the syndicated projects under the portfolio of Rosemont (the "**Syndicated Projects**").

In addition, the Group provided a working capital facility of US$10,000,000 to Gemini-Rosemont.

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

On 31 March 2017, Property Fund further acquired further 18.423% class B membership interest of Gemini-Rosemont from Gemini-Rosemont JV Member LLC. As a result, Property Fund held 30% and 18.423% of class A and class B membership interests respectively in Gemini-Rosemont as at 31 December 2017.

17. INTERESTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

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

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

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

Denver GPM LLC, a Delaware limited liability company domiciled in the U.S., 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 U.S., was formed on 27 March 2013 to invest in companies which acquire, hold, operate, develop, improve, sell and manage investment properties.

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

On 21 August 2015, the Group acquired the entire membership interest of Denver GPM LLC from Rosemont at a consideration of US$5,500,000 together with additional contribution of US$9,500,000. On the same date, the Group also subscribed approximately 37.19% limited partnership interest in Portfolio II LP at a consideration of US$34,388,000 (equivalent to approximately HK$266,661,000). The Transactions were completed on 22 August 2015 and the Group has no outstanding commitment as at 31 December 2017 and 2016.

For the year ended 31 December 2017, the Group shared the post-acquisition loss of Gemini-Rosemont, net of tax amounted to US$973,000 (equivalent to approximately HK$7,578,000 (2016: profit of US$6,200,000 (equivalent to approximately HK$48,076,000))), and post-acquisition profits of Denver GPM LLC and Portfolio II LP amounted to US$824,000 and US$1,703,000 respectively (equivalent to approximately HK$6,419,000 and HK$13,261,000 respectively) (2016: profits of US$523,000 and US$2,862,000 respectively (equivalent to approximately HK$4,056,000 and HK$22,202,000 respectively)).

For the year ended 31 December 2017, the Group received dividend distribution from Gemini-Rosemont, Denver GPM LLC and Portfolio II LP amounted to US$2,250,000, US$112,000 and US$2,406,000 respectively (equivalent to approximately HK$17,456,000, HK$868,000 and HK$18,756,000) respectively (2016: Nil, US$445,000 and US$2,747,000 respectively (equivalent to approximately Nil, HK$3,453,000 and HK$21,312,000 respectively)).

For the year ended 31 December 2017, the Group paid income tax in respect of its direct tax obligation in Gemini-Rosemont and Portfolio II LP amounted to US$270,000, and US$553,000 respectively (equivalent to approximately HK$2,100,000 and HK$4,305,000) respectively (2016: Nil).

17. INTERESTS IN JOINT VENTURES *(Continued)*

Gemini-Rosemont Realty LLC	**2017**	2016
	HK$'000	HK$'000
As at 31 December		
Current assets	**1,467,329**	1,472,085
Non-current assets	**13,220,406**	13,277,030
Current liabilities	**(3,645,554)**	(3,535,781)
Non-current liabilities	**(9,708,631)**	(10,373,257)
Net assets	**1,333,550**	840,077
Included in the above amounts are:		
Cash and cash equivalents	**536,206**	719,671
Non-current financial liabilities (excluding limited partner interest)	**(8,139,308)**	(10,373,257)
Current financial liabilities (excluding trade and other payables)	**(2,955,128)**	(2,840,042)
Year ended 31 December		
Revenue	**1,516,450**	1,801,972
(Loss)/Profit for the year	**(109,930)**	49,999
Other comprehensive income	**—**	—
Total comprehensive income	**(109,930)**	49,999
Included in the above amounts are:		
Depreciation and amortisation	**(1,510)**	(1,543)
Interest income	**3,683**	4,148
Interest expense	**(601,256)**	(585,733)
Income tax expense	**(2,912)**	(2,590)

Reconciled to the Group's interest in joint venture	**2017**	2016
	HK$'000	HK$'000
Gross amounts of Gemini-Rosemont Realty LLC's net assets	**1,333,550**	840,077
Group's share of Gemini-Rosemont Realty LLC's net assets	**931,431**	949,883
Goodwill	**35,550**	35,266
Carrying amount in the consolidated financial statements	**966,981**	985,149

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	HK$'000	HK$'000
Unlisted equity investments, at cost (Note (a))	**9,449**	105,492
Club debentures (Note (b))	**6,453**	3,669
Unlisted fund investments (Note (c))	**2,213,108**	2,115,127
Impairment loss on available-for-sale investments (Notes (a)(i) & (ii))	**(2,033)**	(330)
	2,226,977	2,223,958

Notes:

(a) (i) At the end of reporting period, the unlisted equity investments included investments in unlisted equity securities issued by private entities incorporated outsides Hong Kong amounted to HK$7,413,000 (2016: HK$13,505,000) after impairment provision, of which the Group holds less than 2% (2016: less than 2%) of the equity interest of the investee. The impairment provision of HK$330,000 was made at 31 December 2017 and 2016.

(ii) At the end of the reporting period, the Group held 5% unlisted equity interest in a PRC entity which was determined as impaired (2016: RMB1,500,000 (equivalent to approximately HK$1,677,000)). A provision for impairment loss of HK$1,703,000 has been recognised during the year (2016: Nil).

(iii) At the end of the reporting period , the Group held 199 ordinary units and 199 trustee's ordinary shares in the capital of P'0006 A' Beckett Pty Ltd. (the "**Trustee**") amounted to Australian dollar ("**A$**") 398 (equivalent to approximately HK$3,000) (31 December 2016: 199 ordinary units, 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 amounted to A$14,285,714 (equivalent to approximately HK$89,980,000) in aggregate). The objective of the Trust is to complete the proposed development of a residential complex on the parcel of land in Melbourne, Australia. As at 31 December 2017, the development project has been completed. Preferred return and capital repayment of the class A units of the Trust amounted to approximately HK$89,977,000 in aggregate has been returned and received by the Group during the year.

As the Group has no power to govern or participate in the financial and operating policies of the investee so as to obtain benefits from its activities, the directors of the Company designated the unlisted equity investments as available-for-sale investments.

The above unlisted equity investments are measured at cost less impairment at the end of the reporting period because variability in 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.

(b) At the end of the reporting period, club debentures of HK$6,453,000 (2016: HK$3,669,000) were classified as available-for-sale investments which are stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

18. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(c) At the end of the reporting period, the analysis of the fund investments of the Group are as follows:

	2017	2016
	HK$'000	HK$'000
At fair value (Notes (c)(i), (c)(ii) & (c)(iii))	**473,971**	375,990
At cost (Notes (c)(iv) & (c)(v))	**1,739,137**	1,739,137
	2,213,108	2,115,127

(i) At the end of the reporting period, the Group held approximately 341,000 (2016: 341,000) 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 2017 is approximately HK$126,212,000 (2016: approximately HK$112,130,000).

(ii) At the end of the reporting period, the Group held approximately 141,000 (2016: 141,000) 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 2017 is approximately HK$200,943,000 (2016: approximately HK$154,978,000).

(iii) At the end of the reporting period, the Group also held approximately 110,000 (2016: 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 2017 is approximately HK$146,816,000 (2016: approximately HK$108,882,000).

(iv) At the end of the reporting period, the Group held and 1,012,000 (2016: 1,012,000) non-redeemable, non-voting participating shares of the Property Fund, which incorporated in Cayman Islands and 637,000 (2016: 637,000) non-redeemable, non-voting participating shares of an investment entity incorporated in the Cayman Islands (the "**Private Equity Fund**"). The carrying values of the investments in the Property Fund and the Private Equity Fund as at 31 December 2017 are approximately HK$775,818,000 (2016: approximately HK$775,818,000) and approximately HK$500,506,000 (2016: approximately HK$500,506,000) respectively.

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 U.S. and potentially to a lesser extent in Singapore and countries that are members of the Organisation for Economic Co-operation and Development.

18. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

(iv) *(Continued)*

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 U.S., Europe and/or Australia.

As the equity investments in the Property Fund and the Private Equity Fund 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.

(v) On 3 November 2015, an indirect wholly-owned subsidiary of the Company entered into a subscription agreement with Prosperity Risk Balanced Fund LP (the "**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). As at 31 December 2017, the carrying value of the investments in the PRB Fund is approximately HK$462,813,000 (2016: approximately HK$462,813,000).

At the end of the reporting period, the Group has outstanding commitments to make capital contribution of approximately US$285,000 (equivalent to approximately HK$2,225,000) (2016: approximately US$285,000 (equivalent to approximately HK$2,270,000)).

As the investment in PRB Fund 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.

Those investments as described in Notes (c)(i) to (c)(v) 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. The Group does not intend to trade for short-term profit and, the directors of the Company designated the unlisted investments as available-for-sale investments accordingly.

19. LOAN RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Current:		
Loans to a joint venture (Note (a))	**20,543**	26,395
Loan to the Trustee (Note (c))	**—**	21,216
	20,543	47,611
Non-current:		
Loans to a joint venture (Note (a))	**415,271**	411,989
Loans to investee (Note (b))	**—**	190,000
Loan to member of a joint venture (Note (d))	**—**	2,042
	415,271	604,031
	435,814	651,642

Notes:

(a) As at 31 December 2017, loan receivables of US$2,628,000 equivalent to approximately HK$20,543,000 (2016: US$3,404,000 (equivalent to approximately HK$26,395,000)) in aggregate are due from the joint venture. These loans are unsecured, interest-bearing at 5% per annum and repayable on demand.

In addition, loan receivables of US$53,125,000 (equivalent to approximately HK$415,271,000) (2016: US$53,125,000 (equivalent to approximately HK$411,989,000)) in aggregate are due from the joint venture as at 31 December 2017. Among the loan receivables of US$53,125,000, there was a working capital facility of US$10,000,000 granted by the Group to Gemini-Rosemont, the joint venture on 31 December 2014 as described in Note 17. These loans are unsecured, interest-bearing at rates ranging from 5% to 6% per annum and repayable within 2020 and 2021, accordingly are classified as non-current assets at the end of the reporting period.

(b) The loan receivables due from an investee are repayable in 2018 and 2019, unsecured, interest-bearing at 6% per annum and guaranteed by the Property Fund, a member holds 30% and 18.423% of class A and class B membership interests respectively in Gemini-Rosemont (Note 17). On 21 December 2017, the loan receivables were fully settled by the investee.

(c) A loan receivable of A$4,121,170 (equivalent to approximately HK$21,216,000) is due from the Trustee in relation to an available-for-sale investment (Note 18(a) (iii)). This loan is unsecured, interest-bearing at 10% per annum and repayable in 2017. On 4 May 2017, the loan receivable was fully settled by the Trustee.

(d) A loan receivable of approximately US$263,368 (equivalent to approximately HK$2,042,000) is due from a member holding class B membership interests in Gemini-Rosemont (Note 17(c)). The loan is secured, interest-bearing at 6% per annum and repayable in 2020. On 31 March 2017, the loan receivable was fully settled by the member.

20. PROPERTIES UNDER DEVELOPMENT

	2017	2016
	HK$'000	HK$'000
Carrying amount at 1 January	—	—
Additions	442,011	—
Carrying amount at 31 December	442,011	—
Properties under development comprised:		
Land use rights	414,294	—
Construction costs and capitalised expenditures	27,717	—
Carrying amount at 31 December	442,011	—

Properties under development are all located in the US.

All properties under development are expected to be completed within the normal operating cycle of the Group. As at 31 December 2017, properties under development of HK$442,011,000 (2016: Nil) are not expected to be completed and available for sale within twelve months from the end of the reporting period.

21. AMOUNTS DUE FROM/(TO) A FELLOW SUBSIDIARY AND AN INTERMEDIATE HOLDING COMPANY

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

22. FINANCIAL INSTRUMENTS HELD FOR TRADING

	2017	2016
	HK$'000	HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	45,725	—
— Equity securities listed in the US, Europe, Japan and PRC	222,061	160,286
Derivatives:		
— Forward exchange contracts and futures contracts	—	10,359
	267,786	170,645

22. FINANCIAL INSTRUMENTS HELD FOR TRADING *(Continued)*

The fair values of the 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, the US, Europe, Japan and PRC. The Group maintains a portfolio of diversified investments in terms of industry distribution such as fund investment, healthcare, manufacturer, retail, insurance and finance, information technology and natural resources. As such, the value of the Group's listed securities is significantly affected by oil price slump and high volatility of global capital market including strong US economy and weak performance in the Eurozone.

23. CASH AND BANK BALANCES

The bank balances and cash of the Group was summarised as follows:

	2017	2016
	HK$'000	HK$'000
Bank and cash balances	**1,464,603**	681,126
Short-term bank deposits	**—**	440,314
Total cash and cash equivalents	**1,464,603**	1,121,440
Time deposit with original maturity over three months	**50,225**	—
Total cash and bank balances	**1,514,828**	1,121,440

Cash at banks earn interest at floating rates based on the daily bank deposit rates.

As at 31 December 2017, time deposit with original maturity over three months was made for the period of 6 months depending on the immediate cash requirement of the Group, and earned fixed-rate interest at respective time deposit rate of 3.5% per annum.

As at 31 December 2016, short-term bank deposits carry interest at market rates with average interest rate of 0.795% per annum.

As at 31 December 2017, the Group had bank balances denominated in RMB amounted to approximately HK$11,171,000 (2016: HK13,365,000), 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.

24. BORROWINGS

The maturity profile of the borrowings is as follows:

	2017	2016
	HK$'000	HK$'000
Current:		
Obligation under finance lease (Note 30)	**66**	45
Bank and other loans		
— unsecured and repayable within 1 year (Notes (a) & (c))	**48,000**	272,468
	48,066	272,513
Non-current:		
Obligation under finance lease (Note 30)	**215**	25
Bank and other loans		
— unsecured and repayable after 1 year but within 2 years (Notes (a) & (d))	**448,667**	851,693
— unsecured and repayable after 2 years but within 5 years (Note (a))	**—**	448,667
— unsecured and repayable after 5 years (Note (e))	**—**	476,092
	448,882	1,776,477
	496,948	2,048,990

The bank and other loans of the Group at the end of the reporting period represented:

Notes:

(a) As at 31 December 2017, a bank borrowing amounted to HK$496,667,000 of which HK$48,000,000 is repayable within one year and the remaining balance of HK$448,667,000 under non-current liabilities is repayable after 1 year but within 2 years (2016: HK$494,667,000 of which HK$46,000,000 under non-current liabilities is wholly repayable after 1 year but within 2 years and the remaining balance amounted to HK$448,667,000 under non-current liabilities was wholly repayable after 2 years but within 5 years). This bank borrowing is unsecured and bearing interest at floating rate. The average interest rate as at 31 December 2017 is 2.08% (2016: 1.93%) per annum.

(b) On 31 May 2017, the Company and Grand Beauty entered in the subscription agreement pursuant to which the Company has agreed to issue and Grand Beauty has agreed to subscribe for the perpetual bond in an aggregate principal amount of approximately HK$2,259.5 million. After the issue of the perpetual bond, the carrying amounts of the borrowings as mentioned in Notes (c), (d) and (e) below together with interest accrued thereon as at 31 May 2017 amounting to approximately HK$1,599.8 million in aggregate was derecognised as the liability of the Company.

24. BORROWINGS

Notes: *(Continued)*

(c) On 12 August 2015, a borrowing amounted to US$100 million (equivalent to approximately HK$775,096,000) ("**Other Borrowing I**") was provided by Grand Beauty, an indirect wholly-owned subsidiary of Sino-Ocean Group Holding Limited, the ultimate parent of the Company. The Other Borrowing I was drawdown on 17 August 2015 ("**Drawdown Date I**"). The amount due was unsecured, wholly repayable in February 2016 and interest bearing at fixed rate of 2.04% per annum. On 17 February 2016 ("**Extension date**"), the maturity date of the Other Borrowing I was extended to 16 February 2017. On 28 June 2016, Other Borrowing I amounted to approximately US$64,402,000 (equivalent to approximately HK$499,733,000) was repaid. The carrying value of Other Borrowing I as at the Extension Date was HK$779,219,000. Due to this borrowing is provided by Grand Beauty, the difference between the carrying value and the fair value at the Extension Date of HK$75,350,000 represented a capital contribution through borrowings from parent and was recognised in the consolidated statement of changes in equity and the Company's statement of changes in equity. On 10 February 2017 ("**Extension date II**"), the maturity date of the remaining balance of Other Borrowing I was further extended to 16 February 2018.

The fair value of the Other Borrowing I on Drawdown Date I, Extension date and Extension date II were US$95,113,000 (equivalent to approximately HK$737,216,000), US$90,330,000 (equivalent to approximately HK$703,869,000), and US$32,386,000 (equivalent to HK$251,306,000) respectively, which were determined based on the valuation using Hull White Interest Rate Model carried out by BMI Appraisals Limited an independent professional valuer. The Other Borrowing I was subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 13.06% per annum after the Drawdown Date I, 13.77% per annum after the Extension date and 12.26% per annum after the Extension date II.

The carrying value of Other Borrowing I as at the Extension date II was HK$276,230,000. Due to this borrowing is provided by Grand Beauty, the difference between the carrying value and fair value at the Extension date II which amounted to HK$24,924,000 represented a capital contribution through borrowings from parent and was recognised in the consolidated statement of changes in equity.

Imputed interest expense of approximately HK$10,363,000 (2016: HK$81,266,000) (Note 8) has been recognised in profit or loss for the year ended 31 December 2017.

As mentioned in Note (b) above, after the issue of the perpetual bond on 31 May 2017, the carrying value of the Other Borrowing I amounting to HK$258,914,000 was derecognised. As at 31 December 2016, the carrying value of the Other Borrowing I was HK$272,468,000 and it was classified as repayable within 1 year under current liabilities.

24. BORROWINGS

Notes: *(Continued)*

(d) On 2 December 2015, a borrowing amounted to US$125 million (equivalent to approximately HK$968,870,000) ("**Other Borrowing II**") was 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 Appraisals Limited, an independent professional valuer. The Other Borrowing II was 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$32,170,000 (2016: HK$72,151,000) (Note 8) was recognised in profit or loss for the year ended 31 December 2017.

As mentioned in Note (b) above, after the issue of the perpetual bond on 31 May 2017, the carrying value of the Other Borrowing II amounting to HK$841,095,000 was derecognised. As at 31 December 2016, the carrying value of the Other Borrowing II was HK$805,693,000 and it was classified as repayable after 1 year but within 2 years under non-current liabilities.

(e) On 5 August 2015, a borrowing amounted to HK$1,000 million ("**Other Borrowing III**") was provided by Grand Beauty, which was 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 Appraisals Limited, an independent professional valuer. The Other Borrowing III was 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$14,607,000 (2016: HK$32,642,000) (Note 8) was recognised in profit or loss for the year ended 31 December 2017.

As mentioned in Note (b) above, after the issue of the perpetual bond on 31 May 2017, the carrying value of the Other Borrowing III amounting to HK$490,699,000 was derecognised. As at 31 December 2016, the carrying value of the Other Borrowing III was HK$476,092,000 and was classified as repayable after 5 years under non-current liabilities.

(f) On 31 August 2015, the Group has entered into a facility agreement with Grand Beauty with the facility amount of US$700 million (equivalent to approximately HK$5,471,809,000). The facility has not been utilised as at 31 December 2017 and 31 December 2016. The term of the facility granted is unsecured, wholly repayable in 2020 and interest bearing at fixed rate of 2.04% per annum.

25. SHARE CAPITAL

	2017	2016
	HK$'000	HK$'000
Issued and fully paid:		
450,990,000 (2016: 450,990,000) ordinary shares	**184,881**	184,881

26. 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

	Convertible preference shares reserves (Note 27)	Perpetual bond (Note 28)	Capital contribution reserve	Capital reduction reserve	Share options reserve	(Accumulated losses)/ Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 January 2016	3,898,698	—	867,560	—	23,439	241,086	5,030,783
Share-based compensation (Note 7)	—	—	—	—	728	—	728
Vested share option forfeited	—	—	—	—	(296)	296	—
Capital contribution through borrowings from parent (Note 24(c))	—	—	75,350	—	—	—	75,350
Loss for the year	—	—	—	—	—	(1,469,541)	(1,469,541)
At 31 December 2016 and 1 January 2017	3,898,698	—	942,910	—	23,871	(1,228,159)	3,637,320
Vested share option forfeited	—	—	—	—	(523)	523	—
Capital contribution through borrowings from parent (Note 24 (c))	—	—	24,924	—	—	—	24,924
Capital reduction (Note 27)	(1,411,529)	—	—	1,411,529	—	—	—
Issue of perpetual bond (Note 28)	—	1,599,860	—	—	—	—	1,599,860
Transfer (Notes 27 and 28)	—	659,644	(659,644)	(1,411,529)	—	1,411,529	—
Profit for the year	—	—	—	—	—	17,692	17,692
At 31 December 2017	2,487,169	2,259,504	308,190	—	23,348	201,585	5,279,796

27. CONVERTIBLE PREFERENCE SHARES RESERVE

On 23 December 2014, the Company issued 1,300,000,000 non-voting convertible preference shares of HK$3 each (the "CPSs") with total subscription price of HK$3,900,000,000 to its parent, Grand Beauty, after having obtained the approval from the independent shareholders of the Company at the extraordinary general meeting held on the same date.

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.

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.

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.

27. CONVERTIBLE PREFERENCE SHARES RESERVE *(Continued)*

On 26 January 2018, the Company entered into the second supplemental deed with Grand Beauty, pursuant to which the parties conditionally agreed to amend certain terms of the CPSs, which include: (i) acceleration of the commencement of the conversion period such that it will commence on the first business day immediately after the amendments effective date (instead of commencing from the end of a five-year period from the issue date of the CPSs as originally contemplated); (ii) increase of the conversion price from HK$3 to HK$6 (subject to adjustments); and (iii) adjustment of the dividends payable on the CPSs from a non-cumulative floating rate per annum to a fixed rate of 3% per annum. Furthermore, if the Company should issue, at any time on or before (and including) 30 June 2018, any new shares or convertible securities of the Company to any person other than a person who is a CPSs holder on the date of such new issuance (the "New Issuance"), the conversion price shall be reduced, concurrently with and effective from the completion of the New Issuance, to HK$3, provided that: (i) such conversion price shall only be HK$3 in respect of such number of CPSs (in such integral multiple) (the "Adjusted CPSs") which will enable the converting shareholder to increase its shareholding to no less than, but closest to, its equity shareholding (excluding its shareholding in any CPSs) in the Company (taking into account the New Issuance and any outstanding convertible and/or exchangeable securities of the Company (other than the CPSs) on an as converted and fully dilutive basis) immediately before completion of the New Issuance; and (ii) the number of Adjusted CPSs shall not exceed 203,466,429.

Details of the proposed amendments to the terms of the CPSs were set out in the announcement and circular dated 28 January 2018 and 27 February 2018 respectively.

Up to the date of the authorisation of the consolidated financial statement, the effectiveness of the proposed amendments is subject to compliance with section 180(4)(a) of the Companies Ordinance and the fulfilment of the conditions precedent in the second supplemental deed.

Save for the terms of the CPSs as revised by the proposed amendments, all other terms of the CPSs will remain unchanged.

27. CONVERTIBLE PREFERENCE SHARES RESERVE *(Continued)*

Capital reduction

Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting on 5 July 2017, the cancellation of 470,666,666 CPSs was effective following the registration in the public record of the relevant statutory return filed with the Hong Kong Companies Registry ("Capital Reduction") on 10 August 2017. The credit in the amount of approximately HK$1,411.5 million in the CPSs reserve account of the Company arising from this Capital Reduction has been applied to set off against the accumulated losses of the Company.

Details of the Capital Reduction were set out in the announcements of the Company dated 1 June 2017 and 10 August 2017 and the circular of the Company dated 13 June 2017.

On 26 January 2018, Grand Beauty executed a second deed of cancellation in favour of the Company, pursuant to which Grand Beauty agreed to the implementation of the proposed capital reduction involving the further cancellation of 43,333,334 CPSs held by Grand Beauty (representing approximately 5.23% of all the CPSs in issue as at 31 December 2017 (the "Proposed Capital Reduction").

Following completion of the Proposed Capital Reduction, the credit in the amount of approximately HK$130 million in the CPSs reserve account of the Company arising from the Capital Reduction shall be transferred and credited to the capital reduction reserve account of the Company; and the credit in the amount of approximately HK$130 million in the capital reduction reserve account of the Company shall be applied to set off against the accumulated losses of the Company. After the elimination of the accumulated losses, the balance remained in the capital reduction reserve account of the Company shall be applied to set off against any future accumulated losses of the Company and/or to make distribution to its shareholders in the future when appropriate.

Details of the Proposed Capital Reduction was set out in the announcement of the Company dated 28 January 2018.

Up to the date of the authorisation of the consolidated financial statements, the Proposed Capital Reduction is subject to the approval by passing of a special resolution by the Shareholders at the extraordinary general meeting ("EGM") and the satisfaction of certain conditions as required under the Companies Ordinance.

28. PERPETUAL BOND

On 31 May 2017, the Company issued unsecured perpetual bond in an aggregate principal amount of approximately HK$2,259.5 million to Grand Beauty.

According to the subscription agreement, the consideration payable by Grand Beauty to the Company for the subscription of the perpetual bond shall be satisfied by setting off against the entire outstanding principal amount of other borrowings provided by Grand Beauty as described in Notes 24(c), (d) & (e) and related interests accrued thereon as at the date of issue of the perpetual bond in an aggregate amount of approximately HK$2,259.5 million.

The perpetual bond confers a right to receive distribution at 0.01% per annum on the principal amount and has no fixed redemption date. The Company may elect to cancel or defer (in whole or in part) any distribution accrued on the perpetual bond at its sole and absolute discretion. The Company may elect to redeem (in whole but not in part) the perpetual bond at 100% of the outstanding principal amount, together with any distribution accrued thereon, on the date falling 10 years after the date of issue of the perpetual bond (the "First Call Date") or any distribution payment date after the First Call Date. The perpetual bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and ranks in priority over any shares or convertible preference shares of the Company in respect of any payment in the event of liquidation, dissolution or winding up (whether voluntary or involuntary) of the Company.

The carrying amounts of the other borrowings as stated in Notes 24(c), (d) & (e) together with interest accrued thereon as at 31 May 2017 amounting to approximately HK$1,599.8 million in aggregate has been used to settle the above consideration payable. The capital contribution previously recognised through the other borrowings provided by Grand Beauty amounting to approximately HK$659.6 million was derecognised and transferred to the perpetual bond. The perpetual bond is classified as an equity of the Company.

29. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is as follows:

	2017	2016
	HK$'000	HK$'000
At 1 January	**6,671**	1,768
Deferred taxation charged to:		
— Profit or loss (Note 10)	**7,723**	4,901
Exchange realignment	**86**	2
At 31 December	**14,480**	6,671

29. DEFERRED TAX LIABILITIES *(Continued)*

	Accelerated tax depreciation	Withholding tax on interest income	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2016	—	1,768	1,768
Charged to profit or loss (Note 10)	—	4,901	4,901
Exchange realignment	—	2	2
At 31 December 2016 and 1 January 2017	—	6,671	6,671
Charged to profit or loss (Note 10)	526	7,197	7,723
Exchange realignment	—	86	86
At 31 December 2017	526	13,954	14,480

At the end of the reporting period, the Group had unused tax losses of approximately HK$164,410,000 (2016: HK$128,033,000) available for offset against future profits. The tax losses are subject to the final assessment of Hong Kong Inland Revenue Department. 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$12,438,000 (equivalent to approximately RMB9,349,999) (2016: HK$14,288,000 (equivalent to approximately RMB11,279,000)) 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.

30. LEASES

Finance lease

At 31 December 2017, the Group had obligation under finance lease repayable as follows:

	Minimum lease Payments 2017	Interest 2017	Present value 2017
	HK$'000	HK$'000	HK$'000
Within 1 year	**84**	**18**	**66**
After 1 year but within 5 years	**273**	**58**	**215**
	357	**76**	**281**

30. LEASES *(Continued)*

Finance lease *(Continued)*

At 31 December 2016, the Group had obligation under finance lease repayable as follows:

	Minimum lease Payments 2016	Interest 2016	Present value 2016
	HK$'000	HK$'000	HK$'000
Within 1 year	60	15	45
After 1 year but within 5 years	40	15	25
	100	30	70

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:

	2017	2016
	HK$'000	HK$'000
Within one year	**4,600**	3,590
In the second to fifth year inclusive	**2,976**	—
	7,576	3,590

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

30. LEASES *(Continued)*

Operating lease — the Group as lessor

Property rental income earned from leasing of the Group's investment properties 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 7 years (2016: 4 months to 6 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 receipts under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**29,511**	30,655
In the second to fifth year inclusive	**52,021**	52,319
After 5 years	**1,056**	3,288
	82,588	86,262

31. CAPITAL COMMITMENTS

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	2017	2016
	HK$'000	HK$'000
Capital contribution to an unlisted investment (Note 18(c)(v))	**2,225**	2,270
Properties under development (Note 20)	**9,712**	—
Acquisition of properties in the US	**—**	369,917
	11,937	372,187

32. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowings	Finance lease	Amount due to an intermediate holding company	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	2,048,945	70	—	2,049,015
Changes from cash flows:	—	—	—	—
Net cash advance from an intermediate holding company	—	—	552,675	552,675
Capital element of finance lease rentals paid	—	(78)	—	(78)
Total changes from financing cash flows:	—	(78)	552,675	552,597
Exchange adjustments	4,213*	—	—	4,213
Other changes:				
Imputed interest expense on other borrowing (Note 8)	57,140*	—	—	57,140
Acquisition of assets under finance lease	—	331*	—	331
Write off of assets under finance lease	—	(59)*	—	(59)
Finance charges on obligations under finance lease	—	17*	—	17
Capital contribution through borrowings from parent (Note 24)	(24,924)*	—	—	(24,924)
Converted as perpetual bond (Note 28)	(1,590,707)*	—	—	(1,590,707)
Amortisation of arrangement fee (Note 8)	2,000*	—	—	2,000
Total other charges	(1,552,278)	289	—	(1,551,989)
At 31 December 2017	496,667	281	552,675	1,049,623

* Non-cash transactions

33. 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 2017, the retirement benefits cost charged to the consolidated income statement of HK$1,054,000 (2016: HK$1,162,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

34. RELATED PARTY TRANSACTIONS

The compensation of key management personnel, representing remuneration of the Company's directors (Note 11), for the year ended 31 December 2017 is HK$3,528,000 (2016: HK$8,519,000).

In addition to those related party transactions or balances 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.

34. RELATED PARTY TRANSACTIONS *(Continued)*

	2017	2016
	HK$'000	HK$'000
Transaction with parent:		
— Interest paid/payable	**18,409**	49,595
Transactions with fellow subsidiaries:		
— Rents paid	**357**	407
— Building management fee paid	**34**	41
— Disposal of motor vehicle	**145**	—
Transaction with a joint venture:		
— Agency fee paid	**—**	1,357
— Building management fee paid	**364**	72
— Other loan interest income *(Note (a))*	**(25,696)**	(25,016)
	(25,332)	(23,587)

a) As described in Note 17(c), a working capital facility of US$10,000,000 was granted by the Group to Gemini-Rosemont, a joint venture on 31 December 2014. The interest income derived from this facility during the year was approximately HK$25,696,000 (2016: HK$25,016,000). As at 31 December 2017, as described in Note 19(a), the facility was utilised approximately to US$55,753,000 (equivalent to HK$435,814,000) (2016: US$56,529,000 (equivalent to HK$438,384,000)).

b) As described in Note 24(f), the Group has entered into a facility agreement with Grand Beauty with the facility amount of US$700 million (equivalent to approximately HK$5,471,809,000) on 31 August 2015. The facility has not been utilised as at 31 December 2017 and 2016.

35. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Investments in subsidiaries		**1,948,261**	1,626,510
Amounts due from subsidiaries		**3,238,233**	2,951,490
		5,186,494	4,578,000
Current assets			
Deposits and prepayments		**251**	260
Amounts due from subsidiaries		**732,333**	974,427
Short-term bank deposits		**—**	155,231
Bank balances and cash		**606,911**	174,389
		1,339,495	1,304,307
Current liabilities			
Other payables and accrued charges		**10,049**	9,123
Amount due to an intermediate holding company		**552,675**	—
Amounts due to subsidiaries		**1,921**	2,063
Borrowings		**48,000**	272,468
		612,645	283,654
Net current assets		**726,850**	1,020,653
Total assets less current liabilities		**5,913,344**	5,598,653
Capital and reserves			
Share capital	25	**184,881**	184,881
Reserves	26	**5,279,796**	3,637,320
Total equity		**5,464,677**	3,822,201
Non-current liabilities			
Borrowings		**448,667**	1,776,452
Total equity and non-current liabilities		**5,913,344**	5,598,653

On behalf of the directors

Sum Pui Ying
Director

Lai Kwok Hung, Alex
Director

36. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2017	2016
	HK$'000	HK$'000
Unlisted shares, at cost	**3,113**	3,113
Deemed capital contribution (Note)	**1,945,148**	1,623,397
	1,948,261	1,626,510

Note:

The amounts due from subsidiaries 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 2017 of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries of HK$3,238,233,000 (2016: HK$2,951,490,000) 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 2017, the principal amounts due from subsidiaries have been adjusted to their fair value with a corresponding amount of HK$1,945,148,000 (2016: HK$1,623,397,000) 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 at 2.26% to 12.51% (2016: 2.26% to 12.51%) per annum, representing the borrowing rates of the relevant subsidiaries.

The following is a list of the subsidiaries as at 31 December 2017 and 2016 which in the opinion of the directors, materially affect the results on assets of the Group:

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
				2017	2016	
				%	%	
Acute Sky Global Limited	British Virgin Islands ("BVI")	The US	US$1	**100**	100	Investment holding
Advance Favour International Limited	BVI	Hong Kong	US$1	**100***	100*	Investment holding
Bai Li Investments Limited	BVI	Hong Kong	US$1	**100**	100	Investment holding
Billion Thrive Limited	BVI	Hong Kong	US$1	**100**	100	Property Investment
City Beyond Investments Limited	BVI	Hong Kong	US$1	**100***	100*	Investment holding

36. 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 2017 %	2016 %	Principal activities
Dawn City Global II LLC	The US	The US	US$12,008,020	**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$12,028,218	**100**	100	Investment holding
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
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***	100*	Investment holding
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-Rosemont Realty Holdings LLC	The US	The US	US$69,574,946	**100**	100	Property Investment
Glorious City Global Limited	BVI	The US	US$1	**100**	100	Investment holding

36. 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 2017 %	2016 %	Principal activities
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$5,787,158	**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$5,803,321	**100**	100	Investment holding
Jade Lake Global Limited	BVI	The US	US$1	**100**	100	Investment holding
Jet City Global Limited	BVI	The US	US$1	**100**	100	Investment holding
Jet City Global LLC	The US	The US	US$39,072	**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**	100	Investment holding
King Advance Investments Limited	Hong Kong	Hong Kong	HK$1	**100**	100	Investment holding
Lead Charm Global Limited	BVI	The US	US$1	**100**	100	Investment holding

36. 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 2017 %	2016 %	Principal activities
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
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$26,668,365	**100**	100	Investment holding
Rosemont WTC Denver GPM LLC Holdings LLC	The US	The US	US$11,544,246	**100**	100	Property Investment
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$8,009,038	**100**	100	Property Investment
Shine Victory LLC	The US	The US	US$8,025,039	**100**	100	Investment holding
Sinobliss Global Investments Limited	BVI	The US	US$1	**100**	100	Investment holding

36. 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 2017 %	2016 %	Principal activities
Soar Ocean Limited	BVI	The US	US$1	**100**	100	Investment holding
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
Southcourt Operating Holdings LLC	The US	The US	US$62,328,130	**100**	100	Investment holding
Southcourt Operating LLC	The US	The US	US$18,915,428	**100**	100	Property investment
Spring Day Global Limited	BVI	The US	US$1	**100**	100	Investment holding
Summer Bliss Global Limited	BVI	The US	US$1	**100***	100*	Investment holding
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
Team Global Holdings Limited	BVI	The US	US$1	**100**	100	Investment holding
Time Ray Global Limited	BVI	Hong Kong	US$1	**100***	100*	Investment holding
Top Pavilion Limited	BVI	Hong Kong	US$1	**100**	100	Leasing office premise

36. 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
				2017	2016	
				%	%	
Ultimate Ventures Holdings Limited	BVI	Hong Kong	US$1	**100**	100	Property investment
Ultra Beauty Global Limited	BVI	Hong Kong	US$1	**–**	100*	Investment holding
Ultra Beauty Global Advisory Limited	Hong Kong	Hong Kong	HK$1	**–**	100	Property investment
Gemini-Rosemont New York Holdings LLC	The US	The US	US$46,428,507	**100**	—	Property development
Gemini-Rosemont New York LLC (formely known as "535 AOA LLC")	The US	The US	US$414,345	**100**	100	Property development
531-539 Sixth Avenue LLC (formerly known as "539 AOA LLC")	The US	The US	US$58,071,762	**100**	100	Property development
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

37. 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 24) 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:

	2017	2016
	HK$'000	HK$'000
Debt	**496,948**	2,048,990
Less: Cash and bank balances	**(1,514,828)**	(1,121,440)
Net (cash)/debt	**(1,017,880)**	927,550
Equity	**5,475,671**	3,834,192
Net debt to equity ratio	**N/A**	24.2%

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts presented in the consolidated statement of financial position:

	2017	2016
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**2,226,977**	2,223,958
FVTPL — Held for trading	**267,786**	170,645
At amortised cost		
— Loans and receivables		
— Amount due from a fellow subsidiary	**—**	665
— Other receivables	**1,835**	2,440
— Loan receivables	**435,814**	651,642
— Cash and bank balances	**1,514,828**	1,121,440
	4,447,240	4,170,790
Financial liabilities at amortised cost		
— Other payables and accrued charges	**45,151**	31,686
— Amount due to an intermediate holding company	**552,675**	—
— Borrowings	**496,948**	2,048,990
	1,094,774	2,080,676

(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 risks (including foreign 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.

38. 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	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**1,157,179**	1,221,203	**552,675**	1,078,855
RMB	**54,178**	19,705	**—**	—
Japanese Yen ("JPY")	**6**	15	**—**	—
A$	**52**	73,445	**—**	—
British Pound ("GBP")	**1**	624	**—**	—
Euro ("EUR")	**756**	5,100	**—**	—
	1,212,172	1,320,092	**552,675**	1,078,855

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

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 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.

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Foreign currency risk management *(Continued)*

Foreign currency sensitivity (Continued)

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$ 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 2017 and a decrease /(an increase) in loss in 2016.

THE GROUP	**2017** **Increase/ (decrease) in foreign exchange rate**	**Effect on profit or loss**	2016 Increase/ (decrease) in foreign exchange rate	Effect on profit or loss
		HK$'000		HK$'000
RMB against HK$	**10%**	**5,418**	10%	1,971
	(10%)	**(5,418)**	(10%)	(1,971)
JPY against HK$	**10%**	**1**	10%	2
	(10%)	**(1)**	(10%)	(2)
A$ against HK$	**10%**	**5**	10%	7,345
	(10%)	**(5)**	(10%)	(7,345)
GBP against HK$	**10%**	**—**	10%	62
	(10%)	**—**	(10%)	(62)
EUR against HK$	**10%**	**76**	10%	510
	(10%)	**(76)**	(10%)	(510)

(d) Interest rate risk management

The Group obtained financing through borrowings. As at 31 December 2017, the borrowings (Note 24) included the following:

— A bank loan bears interest on floating rates and will be wholly repayable in 2019.

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.

38. FINANCIAL INSTRUMENTS *(Continued)*

(d) Interest rate risk management *(Continued)*

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 2017) 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 2017 would increase/decrease by HK$2,485,000 (2016: HK$2,473,000).

(e) Other price risks

The Group is exposed to price risk through its available-for-sale investments measured at fair value (Note 18(c)) and the investments held for trading (Note 22), 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.

38. FINANCIAL INSTRUMENTS *(Continued)*

(e) Other price risks *(Continued)*

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$849,778,000 (2016: HK$24,102,000) 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 2017 would increase/decrease by HK$26,779,000 (2016: loss for the year would increase/decrease by HK$16,209,000) 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.

(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.

38. FINANCIAL INSTRUMENTS *(Continued)*

(g) Liquidity risk management

In the management of the liquidity risk, the Group 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.

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 2017							
Other payables and accrued charges		13,146	–	32,005	–	45,151	45,151
Amount due to an intermediate holding company		552,675	–	–	–	552,675	552,675
Borrowings	2.61%	983	1,878	57,445	456,919	517,225	496,948
		566,804	1,878	89,450	456,919	1,115,051	1,094,774
31 December 2016							
Other payables and accrued charges	–	7,792	–	23,894	–	31,686	31,686
Borrowings	2.09%	981	6,842	319,672	2,661,118	2,988,613	2,048,990
		8,773	6,842	343,566	2,661,118	3,020,299	2,080,676

38. 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 (c)(i), (ii) and (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 2017, the fair values of available-for-sale investments and financial instruments held for trading are HK$473,971,000 (2016: HK$375,990,000) and HK$267,786,000 (2016: HK$170,645,000) respectively.

Other than set out in Notes 18 and 22, 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.

39. 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(e) 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, rental yield and prime or discount for quality of properties. 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.

(c) Management determines the net realisable value of properties under development by using prevailing market data such as most recent sale transactions and market valuation reports available from independent qualified professional valuers. Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual result. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

40. EVENT AFTER THE REPORTING PERIOD

Except as disclosed in Note 27, the Group has the following event after the reporting period:

Acquisition of 100% equity interest in a general partner of a partnership and 19.5% limited partnership interest in a partnership

On 26 February 2018, Vital Harvest Global Limited ("Vital Harvest"), a wholly owned subsidiary of the Company, entered into an acquisition agreement with Gemini-Rosemont, the joint venture of the Group pursuant to which Vital Harvest has conditionally agreed to acquire 100% equity interest of 600 Clipper GP Partner A LLC (the "GP Partner A"), being the general partner of a partnership namely 600 Clipper Investment Partnership LP (the "Investment Partnership"), that indirectly owns and manages an office campus located in California, the U.S., at a consideration of US$945 (the "Acquisition").

On the same date, 600 Clipper SPV LLC ("SPV LLC"), another wholly owned subsidiary of the Company, has also entered into an assignment agreement with a wholly-owned subsidiary of Gemini-Rosemont that SPV LLC has conditionally agreed to accept the assignment of 19.5% limited partner interest of the Investment Partnership at a consideration of US$7,383,635 (the "Assignment"). Both acquisition agreement and assignment agreement are inter-conditional.

Upon the completion of such acquisition and assignment, the GP Partner A and its subsidiaries (including the Investment Partnership) will be accounted for as subsidiaries of the Group.

Details of the acquisition was set out in the announcement of the Company dated 26 February 2018.

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 16G, 20A, 20B, 21D, 25G, 26C, 26G, 28D, 29C, 30D, 31F, 32F, 32G, 33E, 34B, 34G, 35C, 35E, 37C, 38C 15 William Street, New York, the US	N/A	Residential	17,385	100%	Freehold
3211 Shannon Road, Durham, North Carolina, the US	N/A	Office	131,902	100%	Freehold

Details of Properties Under Development

Address	Lot Number	Use	Approx. site area (square feet)	Estimated development gross floor area (square feet)	Our Group's interest %	Government lease expiry/ Freehold	Stage of completion	Estimated completion date
531-537, 539 Sixth Avenue, Manhattan, New York City, the US	N/A	Mixed-used residential development	8,054	80,000	100%	Freehold	Planning stage	4th quarter of 2020

Five-Year Financial Summary

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December,

	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	186,676	91,915	22,633	83,097	**55,565**
Profit/(Loss) before taxation	43,868	(144,738)	(1,133,009)	(248,109)	**(72,341)**
Taxation	(4,715)	(100)	(2,238)	(5,269)	**(14,677)**
Profit/(Loss) for the year	39,153	(144,838)	(1,135,247)	(253,378)	**(87,018)**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December,

	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	2,121,161	5,887,811	6,528,232	5,926,243	**6,589,265**
Total liabilities	(1,576,556)	(1,580,765)	(2,571,886)	(2,092,051)	**(1,113,594)**
	544,605	4,307,046	3,956,346	3,834,192	**5,475,671**
Equity attributable to:					
Owners of the Company	544,605	4,307,046	3,956,346	3,834,192	**5,475,671**
Non-controlling interests	—	—	—	—	**—**
	544,605	4,307,046	3,956,346	3,834,192	**5,475,671**

Corporate Information

BOARD OF DIRECTORS

Honorary Chairman

LI Ming

Executive Directors

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

Non-executive Directors

LI Ming (Honorary Chairman)
LI Hongbo
TANG Runjiang

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

Baker & Mckenzie
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